

UC Santa Cruz

UC Santa Cruz Electronic Theses and Dissertations

Title

Between Reproduction and Renewal: Venture Capital and the Future of Social Necessity

Permalink

<https://escholarship.org/uc/item/0g57d83z>

Author

Howard, Mark

Publication Date

2024

Copyright Information

This work is made available under the terms of a Creative Commons Attribution License, available at <https://creativecommons.org/licenses/by/4.0/>

Peer reviewed|Thesis/dissertation

UNIVERSITY OF CALIFORNIA
SANTA CRUZ

**BETWEEN REPRODUCTION AND RENEWAL: VENTURE CAPITAL AND
THE FUTURE OF SOCIAL NECESSITY**

A dissertation submitted in partial satisfaction
of the requirements for the degree of

DOCTOR OF PHILOSOPHY

in

POLITICS

With an emphasis in HISTORY OF CONSCIOUSNESS

By

Mark R.S. Howard

September 2024

The Dissertation of Mark Richard Sean Howard is
approved:

Professor Matt Sparke, chair

Associate Professor Dean Mathiowetz

Professor Mark Massoud

Professor Massimiliano Tomba

Peter Biehl
Vice Provost and Dean of Graduate Studies

Copyright © by
Mark R.S. Howard
2024

Table of Contents

PREFACE	1
INTRODUCTION	
TOWARDS A SOCIAL CRITIQUE OF VENTURE CAPITAL	9
I. VENTURE CAPITAL: A BRIEF OVERVIEW	14
<i>VC: What is it?</i>	15
<i>VC: How has it evolved?</i>	22
<i>VC: Why is it important?</i>	33
II. ABSENT DEBATES	41
<i>Literature I: The VC→Entrepreneurship Relationship</i>	42
<i>Literature II: The Entrepreneurship→Society Relationship</i>	50
<i>Literature III: The VC→Entrepreneurship→Society Relationship</i>	55
<i>VC and Society: A Critical Lacuna</i>	69
III. TOWARDS A SOCIAL CRITIQUE OF VENTURE CAPITAL	77
IV. APPROACH OF THE DISSERTATION	90
PART I: EXIT	
[CHAPTER 1]	
THE VOICE OF EXIT	99
INTRODUCTION: CAPITALIZING APOCALYPSE	101

I: THE VC-ENTREPRENEUR RELATIONSHIP: A MAINSTREAM APPROACH	107
<i>Dramatis Personae</i>	107
<i>Agents and Principals: Problem Solving Theory and the VC-Entrepreneur Relationship</i>	120
<i>The Term Sheet: Capital and Control</i>	125
II. THE VC-ENTREPRENEUR RELATIONSHIP: A CRITICAL THEORY ACCOUNT	139
<i>Rethinking Incentives</i>	139
<i>The General Formula for Venture Capital</i>	144
<i>VC Temporalities</i>	149
<i>Contractual Time: Embedded Entrepreneurship and the Ventrepreneur</i>	157
<i>Contracting Time: Adherence to the Law and Survival at all Costs</i>	169
<i>Contracted Time and the Voice of Exit</i>	174
[CHAPTER 2]	
ANTI/ESTABLISHMENTARIANISM	187
INTRODUCTION: ESTABLISHING DISRUPTION	188
I: PATHWAYS TO EXIT: A CAPITALIST GRADUATION	196
<i>The Return of Capitalism: Agents and Incentives</i>	198
<i>Forms of Exit</i>	203
<i>New Agents and Incentives</i>	210
<i>A Critical Perspective on Exit Pathways</i>	217

II: EXIT AS ENTRANCE: THE IRREVERSIBLE THRESHOLD	225
<i>The Breakpoint of Exit: Commodification and Moral Hazard</i>	225
<i>Portfolio Thinking and The Vagaries of the Market</i>	234
III: DISRUPTING THE FUTURE	245
<i>The Equity-Growth Playbook as an Image of Future Dominance</i>	245
<i>Disrupting Society, Culture, and Politics</i>	258
IV: CAPITALIST RENEWAL AND REPRODUCTION	271
<i>Free Markets as a Means to Monopoly</i>	271
<i>The Subsumption of Novelty</i>	286

PART II: CAPTURE

[CHAPTER 3A]

S.V.C. (FIRST OVERDETERMINATION)	293
INTRODUCTION: IT'S WHO YOU KNOW, AND WHAT THEY KNOW THAT MATTERS	295
I: PRODUCTS AND HUMAN CAPITAL	303
<i>Product-Market Fit: The Meaning of Growth?</i>	303
<i>Human Capital: Capture, Circulation, Valorization</i>	315
II: SVC AS THE EQUITY-OWNING CLASS	331
<i>A Stratified Venture Class (SVC)</i>	332
<i>Social Venture Capital (SVC)</i>	342
<i>Accessible Exclusivity: An Exercise in Legitimation</i>	356

[CHAPTER 3B]

S.V.C. (SECOND AND THIRD OVERDETERMINATIONS)	377
I: SILICON VALLEY CULTURE	378
<i>Silicon Valley as Eidos and Topos</i>	380
<i>Venture Capital and the Making of Silicon Valley</i>	388
<i>Silicon Valley Culture (SVC)</i>	393
II: THE SILICON VALLEY CONSENSUS	404
<i>Effects of the Silicon Valley Consensus (SVC)</i>	411
A MATERIALIST IDEOLOGY OF PRODUCTION	421

[CHAPTER 4]

ENDLESS FRONTIERS	426
INTRODUCTION: POLITICS, ECONOMICS, AND PERMISSION	428
I: MARKETS REVISITED: SPACE VS. SHARE	436
<i>Market Space vs. Market Share</i>	437
<i>Known vs. Unknown Market Space</i>	440
<i>What actually is a market?</i>	445
II: FROM THE ENDLESS FRONTIER TO ENDLESS FRONTIERS	457
<i>If you build it, they will come ($MS + HC \rightarrow MSh$)</i>	457
<i>The Eternal Recurrence of Frontier Mythologies</i>	466
<i>Science: The Endless Frontier</i>	469
<i>The Endless Frontiers of Venture Capital</i>	471

III: MULTIDIMENSIONAL GREENFIELDS	477
<i>Expanding the Limits to Capital</i>	478
<i>The Multidimensional Spatial Fix</i>	482
<i>Terra Nullius and Material Life</i>	494
<i>Accumulating the Future</i>	501
IV: RULING FROM THE FRONTIER	508
<i>Anti/Establishmentarianism Revisited</i>	508
<i>Frontier Strategies (for pseudo-libertarians)</i>	516
<i>Regulatory Arbitrage and Unfair Advantages</i>	526
CONTRACTED SPACE-TIME: TOWARDS A PHENOMENOLOGY OF VENTURE CAPITAL	534

PART III: INVESTMENT

[CHAPTER 5]

THE NEW INTELLECTUALS	544
INTRODUCTION: THE GENIUS OF CAPITAL	545
I. UNCANNY FULFILLMENT	554
<i>Product-HC-Fulfillment and Market-MS-Lack</i>	554
<i>Problem Identification and Solution</i>	556
<i>Fulfillment First</i>	566
II. REPRESENTATIONS OF LEGITIMATION	571
<i>Reputation and Trust</i>	572

<i>The Genius Aesthetic</i>	578
<i>The New Intellectuals</i>	584
<i>Intellectual Interventions – Intellectualism in Practice</i>	592
<i>Thought Leadership</i>	601
III. IMAGINARY VALUE	607
<i>Heroic Theater: Saving, Revolutionizing, and Democratizing the World</i>	607
<i>Symbolic Value</i>	623
<i>Hype(rstition)</i>	629
A NEW HEGEMONY	638
[CHAPTER 6]	
STRATEGIC INEFFICIENCIES	642
INTRODUCTION: A WORLD BEYOND CAPITAL	643
I: A WORLD OF ABUNDANT SCARCITY	658
<i>Fulfillment's Production of Lack: Reversing Causality</i>	658
<i>The Promise</i>	666
<i>Making the Subject Go</i>	669
<i>Needing what is Wanted</i>	675
II: THE STRATEGIC (DIS)APPEARANCE OF EFFICIENCY	677
<i>The Contradictions of Future Necessity</i>	677
<i>Knightian Profits: Risk and (Un)certainly</i>	681
<i>Asymmetrical Probabilities</i>	685
<i>The Certainty of Failure</i>	690

III: THE PHENOMENON OF SOCIAL NECESSITY	698
<i>Social Necessity and Venture Capital</i>	698
<i>A Culture of Social Lack</i>	705
<i>Desire is a Trap</i>	716
<i>VC as Politics: The Negation of Social Freedom</i>	719
IV: SOCIALLY NECESSARY CONTRACTED SPACE-TIME	725
<i>The Meaning of E/E': Socially Necessary Contracted Space-Time</i>	725
<i>The Value of VC as Critical Supplement to the Value of Capital</i>	728
<i>Exit as The Prophesied Event</i>	734
CONCLUSION	
THE FUTURE OF SOCIAL NECESSITY	739
REVISITING THE QUESTION	739
REVISITING AN OLDER QUESTION	753
A FUTURE FOR SOCIAL NECESSITY	770
A FINAL THOUGHT: VC COMES INTO THE POLITICAL OPEN?	772
BIBLIOGRAPHY	776

LIST OF FIGURES AND TABLES

Figure 0.1 – Key Moments in the Evolution of Venture Capital

Table 0.1 – Top Ten Global Companies by Market Capitalization

Table 0.2 – Popular Journals for Venture Capital Research with Counts Related to Concerns for Critique and Social Impact

Figure 1.1 – The Black Box of VC Valorization

Figure. 1.2 – Management Company Structure: General Partnership and Limited Partnership

Figure 1.3 – The Lifetime of a Typical VC Fund

Figure 1.4 – The Agent-Principal “Problem”

Table 1.1 – VC-Entrepreneur Incentives

Figure 1.5 – The General Formula for Venture Capital (First Cut)

Figure 1.6 – Contracted Time (First Cut)

Figure 1.7 – Embedded Entrepreneurship and the Ventrepreneur

Figure 1.8 – The Voice of Exit

Figure 1.9 – Growth before Profits (Sahlman)

Figure 2.1 – The General Formula for Venture Capital (Portfolio View)

Figure 2.2. – Moderna Therapeutics Net Loss

Figure 2.3 – The General Formula for Venture Capital (Exit by IPO)

Figure 2.4 – The General Formula for Venture Capital (Exit by Successful M&A)

Figure 2.5 – Successful VC-Backed Exits (1996-2023) - Global

Figure 2.6 – Contracted Time (Full Version)

Table 2.1 – Exit Incentives and Actors

Table 2.2 – Exits by Deal Value

Table 2.3 – Companies with > 50 acquisitions of VC-backed firms

Figure 3a.1 – Stanford Review Alumni (Fortune Magazine)

Figure 3a.2 – The General Formula for Venture Capital (HC and MS)

Table 3a.1 – Castells’ Taxonomy of Networks and Power

Table 3a.2 – Top Universities Attended by VC Investment Partners

Table 3a.3 – Top Universities Attended by VC-backed Entrepreneurs
(Undergraduate)

Table 3a.4 – Top Universities Attended by VC-backed Entrepreneurs (MBA)

Table 3a.5 – Top Universities Attended by VC-backed Entrepreneurs
(Graduate/Postgraduate)

Figure 3a.3 – Power-Knowledge-Networks

Figure 3b.1 – Synecdoches Silicon Valley and Sand Hill Road

Figure 3b.2 – Silicon Valley Imitators Around the World

Figure 3b.3 – Contracted Space (Human Capital)

Figure 4.1 – Market Supply and Demand

Table 4.1 – Measuring Market Value

Table 4.2 – Schumpeterian versus Kirznerian Opportunities

Table 4.3 – Hoffman's Taxonomy of Growth

Figure 4.2 – Growing Monopolies

Figure 4.3 – Contracted Space (HC + MS-MSh)

Figure 5.1 – The General Formula for Venture Capital (Fulfillment-Lack)

Figure 6.1 – Long Tail versus Normal Distributions

Figure 6.2 – The General Formula for Venture Capital (Social Necessity)

Figure 6.3 – The General Formula for Venture Capital (Socially Necessary
Contracted Space-Time)

ABSTRACT

BETWEEN REPRODUCTION AND RENEWAL:

VENTURE CAPITAL AND THE FUTURE OF SOCIAL NECESSITY

By

Mark R.S. Howard

This dissertation poses the question of why there is, at the time of writing, no social critique of venture capital. To answer the question, this work attempts to perform that critique, employing a combination of political theory, political economy, and critical theory. There are three parts. Part I addresses temporality in the venture capital process and is organized around the topic of exit. It argues that the underlying essence of the venture capital process can be described by the relationship between equity and growth and by a form of temporal displacement described as “contracted time.” Part II addresses spatiality in the venture capital and is organized around the topic of value capture. It argues that the mechanism of growth underlying the venture capital process is a symbolic representation of the capture of human capital, on the one hand, and market space, on the other, and by a form of spatial displacement described as “contracted space.” Part III addresses appearance in the venture capital process and is organized around the topic of investment. It argues that the basis of the venture capital process may be described by the phenomenon of future social

necessity, and that when combined with the foregoing argument allows for a definition of value in venture capital that I describe as socially necessary contracted space-time. This theory of value is presented as a critical supplement to both Karl Marx's theory of socially necessary labor time and David Harvey's theory of time-space compression.

For Casey, Athena, and Venus. The goddesses of my world.

PREFACE

Departures, Destinations, and Arrivals

“The result the analysis led to, therefore, was not a resolution of the problem as it emerged at the beginning, but a complete change in the terms of the problem.”¹

The following dissertation is a critique of venture capital (VC) as a mode, means, process, and practice of social renewal and reproduction. Its point of departure is the prevailing system of capitalist accumulation, and its destination a re-theorization of social necessity and value. This is not the task I originally set out to complete, and to begin I thus want to speak on the theme of arrival.

When I initially began researching VC, it was via a question I now see to be problematic in myriad ways. That question—“can [new] markets be a site of equitable justice?”—was intended to be the departure point for an optimistic vision of a better world *through* and not *away* from the market economy. I had framed my project as a Kantian-style critique in that it was to determine the limits and possibilities of my object of inquiry along with “certainty and clarity with regard to its form.”² And I had hoped—against the better judgment of my advisors—to find a path of redemption for

¹ Karl Marx, quoted in Althusser, “Reading Capital,” 21.

² Kant, *Critique of Pure Reason*, 9.

capitalism via the market form of social exchange, its necessary means.³ As is not untypical, I had presumed too much of what needed to be shown. I had taken it to be the case that VC is primarily interested in the creation and subsequent monopolization of new markets, and that because markets constitute a social logic irreducible to capital, the moment of their creation presents an intervention point, an alternative path away from capitalist injustice and domination towards social justice and emancipation. If only, that is, we could break the link between market formation and its subsumption and monopolization under capitalist modes of reproduction.

I have since discovered that new markets are not the essence of VC. Rather, they are one of its many points of arrival. I had assumed, erroneously, that markets are simple objects of analysis, rather than being composed of complex parts that only come together via a process, and that VC can be studied in isolation, rather than being a mutually constitutive and symbiotic part of a particular type of entrepreneurial practice. Put differently, I had made a number of ontological, and therefore conceptual, mistakes that drove me towards certain expectations about my research. Mistakes that led me to think I could study venture capitalists (VCs) as independent agents engaged in the creation of new social logics grounded in the market form, and that these acts of creation were imbued with ideological and philosophical worldviews that could be discussed and interrogated through the lens of “justice.”

³ Underlying this hope was the observation that capitalism depends on markets, but markets do not depend on capitalism. I have since discovered that this observation is supported by the work of Fernand Braudel. See Chapter II of Braudel, *Afterthoughts on Material Civilization and Capitalism*; and Braudel, *The Wheels of Commerce*.

My misstep was twofold. First, I had taken the views of one (albeit influential) practicing VC⁴ as an accurate and compelling description of social reality, whereas, of course, those claims are to be treated as ideological presuppositions; as *results*, rather than points of departure.⁵ Second, I had allowed my theoretical commitments and interests to drive the design of my inquiry. A desire to put the critiques of Marx in conversation with the Hayek's compelling analyses of the market form⁶ in some ways pre-determined both the question and the result I wanted to find. In short, I found three heterogeneous positions that I wanted to be true simultaneously and attempted to synthesize them via a question.

If I had proceeded with my primary planned method of inquiry, semi-structured in-person interviews, then such errors may have been fatal. Fortunately, I soon found out this method was as problematic as my question. Living in Menlo Park, one street from the global epicenter of VC activity, Sand Hill Road, I had been confident of drawing on personal connections and chance encounters to gain a privileged entry into what is a notoriously private industry. What I discovered was almost the opposite. It was *precisely* those people with whom I had close personal relations that proved most resistant to providing access. When I did manage to have conversations—formally, or for informal exploratory purposes—I found that I was using the wrong language

⁴ Peter Thiel, whose views on VC and new market creation are outlined in Thiel, “Competition Is for Losers”; and Thiel and Masters, *Zero to One*.

⁵ This echoes, of course, Marx's famous discovery upon beginning his study of classical political economy. See Marx, *Grundrisse: Foundations of the Critique of Political Economy*, 9; Hall, “Marx's Notes on Method: A ‘Reading’ of the ‘1857 Introduction,’” 21.

⁶ In particular, Hayek, “The Use of Knowledge in Society.”

(“justice”), that the responses I received were performative and guarded, and that the one thing I would never achieve is the so-called interview “snowball” effect. Never, not once, did any person I spoke to offer up a colleague upon request that I could contact.

In part, what I was experiencing was the well-known problem of “studying up,” of casting my gaze upon powerful actors with wealth and status in a context where the underlying presumption is that I, as a researcher, possess power from which my research subject must be protected.⁷ This sentiment was reflected in my IRB (institutional review board) approved consent form, a form which unsettled almost everyone presented with it—including one prominent academic scholar of VC who canceled our pre-arranged meeting immediately upon its receipt. The vast majority of VCs, including some I knew personally, simply ignored me; some were happy to talk and be interviewed but didn’t want to be “part of a study” (whatever that means); others agreed to talk only if they could sign the consent form after our interview (something that my IRB analyst confirmed is prohibited); in another case, an interviewee signed the form, waved it at me as we began our video interview informing me they would scan and email it without haste, and then “ghosted” me, never actually providing the form nor responding to my emails or calls. I cannot use any content from that interview. If the point of studying up is to connect actors with power to the society over which they have sway, then I failed miserably, and in a rather time-consuming manner.⁸

⁷ Souleles, “How to Think about People Who Don’t Want to Be Studied: Further Reflections on Studying Up,” 207, 209.

⁸ Souleles, 215.

As a matter of course, I had at the same time been reading everything I could find about VC and the Sand Hill Road ecosystem—scholarly and popular books, journal articles, news stories, blogs, social media posts—and over time, by necessity, this became my central point of focus. I recognized early on that most of this material dealt with the relationship between VCs and entrepreneurial ventures. The social and political aspects that were of particular interest to me were part of a separate body of literature that focused instead on the relationship between entrepreneurial activities and society.⁹ Moreover, while the latter contained a variety of positions ranging from panegyric to scathing criticism, the former tended to be neutral or praising, and reserved the term “critical” for only those contexts in which favorable *business* outcomes were perceived to be unforthcoming. As an added insight (and at first, I thought, insult), it also became clear to me that this “VC→Entrepreneur” literature contained numerous examples of empirical support gathered from interviews and surveys with VCs.

Several insights followed. For one, there was a gap in the literature between writings concerning VC and substantive analyses of social outcomes engendered by VC-backed entrepreneurship. Secondly, because critique aimed at the system was reserved for the second body of literature focused on the Entrepreneur→Society relation, there emerged a parallel lacuna: the general absence of a systemic, social critique related to VC.¹⁰ Finally, there was evidently a negative correlation between

⁹ As I elaborate below, it is not that VC is absent in this literature, but rather that it invariably appears in a cameo role. When VC or VCs are discussed, they are decentered in favor of the entrepreneurial agents and become auxiliary to the narrative.

¹⁰ What was missing was a critique of the transitive relationship between VC and society via entrepreneurial production, a relationship I shall express VC→Entrepreneurship→Society.

discourses based on direct interactions with VC and the presence of systemic critique. As a researcher still relatively new to the topic of VC, I found these insights baffling and, frankly, inconceivable. The only explanation could be that I was simply not looking hard enough or was looking in the wrong place. The notion that there might be no systemic critique of VC did not reflect the fact that almost everywhere, even within some of the scholarly “VC→Entrepreneurship” literature, there is a general sense of mistrust—the vague but unmistakable sentiment that “something” is not quite right.¹¹ Consider, for instance, that the pejorative epithet “vulture capitalism” is so commonplace it even has its own Wikipedia page.¹² Surely, therefore, the mistake was mine.

However, after three years of reading, reflecting, and talking to anyone and everyone I can—most fruitfully, academic scholars of VC—I have arrived at the point where I feel confident enough to ask a question I could not pose when I began: *why* is there no social critique of VC? What is it about VC as both a practice and an object of inquiry that obstructs any systemic critical reflection, and deflects any form of *critique* with regards to its social outcomes?

This problem afflicts both academics and practitioners. But here there is a important detail: those positioned *within* the VC process—be they VCs, attorneys, venture-backed entrepreneurs, equity-owning employees, or even academics, tend to

¹¹ Two of the most popular guides for entrepreneurs about VC, written *by* VCs, emphasize repeatedly the kinds of VC “tricks” that entrepreneurs need to watch out for, along with repeated suggestions of misaligned incentives, and the sense that VCs can on occasion be bad for entrepreneurship. Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*; Feld and Mendelson, *Venture Deals*.

¹² https://en.wikipedia.org/wiki/Vulture_capitalist

see VC as praiseworthy at best and as a necessary evil at worst, whereas conversely, those who stand *outside* but in relation to the VC process are those who most often denigrate and distrust it.¹³ Thus, I conjectured, there must be some secret pertaining to the VC process itself that inhibits this critical impulse, something about the way the VC process delivers us to certain social arrival points that makes it appear as both necessary and just—or, at a minimum, as difficult to critique. Indeed, even during my own investigations I have regularly felt the temptation to question whether I am justified in pursuing a social critique, or whether VC is in fact every part as positive and necessary a social force as its proponents and reluctant adherents suggest. But such a temptation only brings me full circle—back to that question wherein I had presumed VC might hold the key to some form of equitable social justice. This cannot be my point of arrival, for it was my point of departure. Nothing is beyond critique, and nothing can be improved without it. Thus, the question of why there is no social critique of VC forms the basis of the following work.

What I have been able to achieve in place of my original study is, I believe, a far more valuable and enduring contribution to existing critiques of capitalism and, I hope, to an understanding of VC as a twenty-first century phenomenon.¹⁴ In performing the social critique of VC that I believe is presently lacking, I have produced a critical theory of VC—one that I believe will unlock numerous puzzles pertaining to

¹³ An example would be entrepreneurs who prefer to bootstrap their startup business and not relinquish equity. To understand why this might be a necessary or appealing alternative to VC, see Bhidé, “Bootstrap Finance: The Art of Start-Ups.”

¹⁴ While VC initially emerged in the twentieth century, my own analysis and argument centers on its present form which came into being around the turn of the century. This shall be explained in the Introduction.

contemporary capitalism that go well beyond the scope of my own study. An example of this is contained in my own recent article published in *Finance and Society*, the general purpose of which was to operationalize the critical theory of VC in the context of capitalist crises. Parts of the article have been adapted and reproduced in the chapters that follow.

INTRODUCTION

Towards a Social Critique of Venture Capital

The following work may be described as a critical theoretical and political economic inquiry into venture capital (VC) as a practice of social renewal and reproduction. In choosing a critical theoretical approach, I am explicitly differentiating this work from what should otherwise be thought of as problem solving theory.¹⁵ Much of what I have to say in this Introduction and the following chapters hinges on this distinction. Typically, wherever I use the word “critical” I shall be referring to problem solving theory. The word *critique*, denoting a methodological practice of obtaining knowledge in a society saturated with illusion, shall be reserved for my own critical theoretical approach. Using a combination of qualitative methods including digital ethnography, archival research, in-person interviews, and industry-based data analysis, I will critique the social, cultural, and political effects of venture capital as an agent of global social transformation through innovation. I argue that by determining the future balance between social necessity and freedom, VC presents itself as an inherently political force

¹⁵ I take this distinction from Robert W. Cox and discuss its finer details below. See Robert W. Cox, “Social Forces, States and World Orders: Beyond International Relations Theory,” *Millennium* 10, no. 2 (1981): 126–55.

operating outside the bounds of formal political machinery, including that which has traditionally been represented by sovereign entities such as the state or church.

While the following work focuses on *social* necessity and freedom, I take the determination and mediation of these powers to be the very essence of politics. Influenced by the political theories of Michel Foucault and Jacques Rancière, I understand politics to be a process of contestation over social form.¹⁶ If we consider Langdon Winner's influential argument that technical arrangements are inherently political because they produce *forms of order* and put this in the context of VC's role as the effective gatekeeper of large-scale innovation and socio-technical change (i.e., disruptive innovation), then VC's role as a non-governmental political agent appears irrefutable.¹⁷ The reader should know that if the question of politics ever remains obscure in the arguments that follow, then this claim about the politics of VC is my consistent underlying assumption and motivation.

The work is organized around three conceptual arguments:

1. I claim that VC constitutes neither an establishment nor antiestablishment force, but both. It is an inherently ambivalent formation which I thus describe as *anti/establishmentarianism*. VC seeks neither to become part of the prevailing establishment nor simply to destroy it, but to use antiestablishment forces (e.g.

¹⁶ See especially Michel Foucault, *Society Must Be Defended: Lectures at the Collège de France 1975-1976*, trans. David Macey (New York: Picador, 2003); Jacques Rancière, *Disagreement: Politics and Philosophy*, trans. Julie Rose (Minneapolis: University of Minnesota Press, 1999).

¹⁷ Langdon Winner, "Do Artifacts Have Politics?," *Daedalus* 109, no. 1 (Winter 1980): 121–36.

disruptive innovation) in the pursuit of building and sustaining a *new* establishment. In doing so, VC brings the past and future together in a power alliance that is historically unprecedented and of great political importance.

2. I overdetermine the abbreviation “SVC” with four separate but interconnected meanings to describe the organizational arrangements of VC in terms of space, place, and culture. Structurally speaking, I contend that VC is constituted by (1) a Stratified Venture Class that operates through social networks of power-knowledge, what I refer to as (2) Social *Venture* Capital. Substantively, this produces (3) a Silicon Valley Culture that innovation hubs around the world increasingly attempt to reproduce, and young minds aspire to join, a phenomenon that I dub (4) the Silicon Valley Consensus. Only together do these four phenomena help to explain VC’s “determinate conditions”¹⁸ in the present.
3. Critically supplementing Marx's theory of value as socially necessary labor time and David Harvey’s theory of time-space compression, I argue that value in VC must be described as *socially necessary contracted space-time*. This claim combines two separate arguments developed throughout the dissertation: (1) that VC invests today in the things that it appears we will need to be doing

¹⁸ The invocation of this term serves two purposes. The first is to express the presumption that VC is a historically particular (and thus potentially transient) phenomenon rather than an ahistorical emergence or naturally evolved feature of the world. The second is to represent VC as a process, system, or field in which various actors are determined or overdetermined (e.g., incentivized, compelled) to act in particular ways when engaging directly or indirectly with VC *as it presently exists*. See Hall, “Marx’s Notes on Method: A ‘Reading’ of the ‘1857 Introduction,’” 23.

tomorrow as the necessary minimum for keeping up with social norms and obligations, and (2) that the VC process contracts (in the sense of being “drawn together” *and* in the sense of being bound through legal arrangements) space and time to overcome both investment uncertainty and traditional forms of capitalist crises.

At the time of writing, VC-backed firms account for seven of the largest ten companies in the world by market capitalization.¹⁹ It is estimated that nearly half of all public listings on US exchanges since the mid-seventies have been made by VC-backed firms, and research demonstrates that the growth of VC is directly correlated to a significant growth in patent rates in the US and beyond.²⁰ This is despite the fact that VC accounts for barely 1/100th of the capital managed by the Hedge Fund industry, and less than 0.2 percent of US GDP.²¹

The products of VC-backed firms, ubiquitous to social life, determine the ways that we socially interact professionally, personally, and intimately, the means by which we travel and receive professional or personal advice, the mechanisms by which we monitor our own and others’ health, how we consume audible and visual culture, where

¹⁹ <https://companiesmarketcap.com/>. Accurate as of July 30, 2024. See Table 0.1 below for a list of companies.

²⁰ Will Gornall and Ilya A. Strebulaev, “The Economic Impact of Venture Capital: Evidence from Public Companies,” SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, November 1, 2015), <https://doi.org/10.2139/ssrn.2681841>; Samuel Kortum and Josh Lerner, “Assessing the Contribution of Venture Capital to Innovation,” *The RAND Journal of Economics* 31, no. 4 (2000): 674–92, <https://doi.org/10.2307/2696354>.

²¹ Scott Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It* (Penguin Random House, 2019), 41.

we get our news, and how we manage our finances. Research suggests that these changes have led to a growing tide of adolescent self-harm and suicide directly attributed to the VC-backed digitization of almost everything, alongside widespread political unrest leading to election interferences, democratic deficit, and a drift towards authoritarianism as a desirable political norm.²²

Additionally, these firms are imposing new legal and ethical obligations upon the world that governments are increasingly unable to comprehend or respond to, a phenomenon that has been referred to as the “pacing problem.”²³ VC-backed corporations such as SpaceX have effectively monopolized global launch services for spacecraft, a domain and power previously reserved only for sovereign “great powers.” TikTok has fomented East-West geopolitical rivalries, leading to debates over spyware, espionage, and mind-control. The growing prevalence of electric vehicles, spurred on by Tesla, has led to massive public provisions for infrastructure and legislation to phase out gas-powered vehicles in multiple jurisdictions. Airbnb and Uber have both successfully led political campaigns to change labor laws in various states and municipalities, using grassroots consumer activists as political agents. Facebook successfully argued against the Federal Trading Commission (FTC) that it was not a

²² For data supporting this claim, see Jean M. Twenge, Gabrielle N. Martin, and W. Keith Campbell, “Decreases in Psychological Well-Being among American Adolescents after 2012 and Links to Screen Time during the Rise of Smartphone Technology,” *Emotion* 18, no. 6 (2018): 765–80, <https://doi.org/10.1037/emo0000403>. The Center for Humane Technology has also collated a “ledger” of peer reviewed articles on the subject of adolescent self-harm, suicide, and other pathologies. An updated list is available at <https://ledger.humanetech.com/>. See also *The Social Dilemma*, Documentary (Netflix, 2020), <https://www.netflix.com/title/81254224>; and Chapter 4 in Barbara F. Walter, *How Civil Wars Start: And How to Stop Them* (New York, NY: Random House, 2022).

²³ Gary E. Marchant, Braden R. Allenby, and Joseph R. Herkert, *The Growing Gap Between Emerging Technologies and Legal-Ethical Oversight: The Pacing Problem* (Springer, 2011).

social media monopoly because there is no legal definition of a social media market. Cryptocurrency markets have ballooned (and burst and ballooned again) globally while the US Securities and Exchanges Commission debates whether crypto tokens are a security or something else.

And yet while VC-backed firms take all the limelight, VC orchestrates in the background, guiding all of the above and more into fruition. A relative cottage industry, not merely in the amount of capital managed but also by sheer head or firm count, VC has immense *amplified* power over global economic, social, and political affairs, and is as such progressively transforming and shaping global culture. As a gatekeeper between the reproduction and renewal of social hierarchies, norms, and obligations, it decides which of the above changes are or are not to be supported and guided into being. When things work well, the celebration is triumphant; when they do not, or the world of VC-backed firms comes under political scrutiny, they are nowhere to be seen. This work is an attempt to hold VC to account for its role in transforming global society in the twenty-first century.

I. VENTURE CAPITAL: A BRIEF OVERVIEW

In the coming chapters I will attempt to formalize and describe the venture capital (VC) process, both on its own terms and in terms of my own critical investigation. In this task, I will be primarily concerned with analyzing its “determinate conditions” rather than its historical unfolding. Although history will not, and cannot, be ignored, my

treatment of it will be primarily for the purpose of providing background context and empirical evidence.²⁴ Nevertheless, it will be useful to begin with a brief overview. In this section I will therefore attempt, first, to offer a brief technical overview of VC itself; second, to describe its historical evolution from the mid-twentieth century to the present day; and third, to give an account of its economic, social, and political impact.

VC: What is it?

In what follows, I treat VC as a form of entrepreneurship in which investors operating within a predetermined, limited time horizon mobilize radical, antiestablishment corporate forces (startups) to produce and reproduce conservative establishment-like class structures of wealth and social status. It is both a process and a practice, and unlike other forms of investment employs social and cultural capital alongside financial capital to achieve its goals. In its institutional form, the focus of this dissertation, VC's principal goal is to produce massive returns to third-party 'limited partner' (LP) investors by investing, mentoring, and directing startups that are attempting to disrupt social, economic, cultural, and political norms by producing modes of fulfillment today (i.e., products) for needs that it is presumed will (or might) exist in the future. Whether

²⁴ Although the focus here will be on VC as a concrete contemporary phenomenon, I will attempt to contextualize it within its historical context and the broader patterns of historical change. This has been recognized as a significant gap in the mainstream literature: "Scholarly research on VC has traditionally lacked a consideration of temporal context and its conclusions have implicitly been offered as timeless." It is important that this dissertation not commit the same error. Mason, "Venture Capital in Crisis?," 284.

these needs eventuate or not is irrelevant to the goal of investment returns; the only requirement is that the growth trajectory of a given venture suggests this future possibility at the moment a VC ends its relationship with the investment.

Technically, VC is a subfield of Private Equity (PE) that makes equity-based investments (i.e., capital in exchange for a share of ownership) in private companies (“startups”) with the potential to achieve “hypergrowth.”²⁵ Consider the following:

“Achieving 20 percent annual growth, which would delight Wall Street analysts covering any other industry, simply isn’t enough to transform a start-up into a multibillion-dollar company fast enough. Silicon Valley venture capitalists want entrepreneurs to pursue exponential growth even if doing so costs more money and increases the chances that the business could fail, resulting in a bigger loss. Dropping below even 40 percent annual growth is a warning sign for investors.”²⁶

According to the authors (a VC and an entrepreneur), this approach is necessary because such businesses “play in winner-take-most or winner-take-all markets.”²⁷ That is, the type of businesses VCs invest in and own are those with the potential to achieve monopoly or oligopoly positions. As another influential VC succinctly puts it: “competition is for losers.”²⁸

²⁵ Lerner, Moore, and Shepherd, “A Study of New Zealand’s Venture Capital Market And Implications for Public Policy,” 1; Lam and Seidel, “Hypergrowth Exit Mindset.”

²⁶ Hoffman and Yeh, *Blitzscaling*, 46.

²⁷ Hoffman and Yeh, 46.

²⁸ Thiel, “Competition Is for Losers.”

Because of the focus on hypergrowth startups, VC investment tends towards high-technology industries where “capital efficiency is at its highest and potential upside is greatest.”²⁹ Nevertheless, we should not presume high-technology is its chief characteristic. Many well-known venture-backed firms fall outside of this category.³⁰ It is more accurate to say that VC investment is drawn towards innovation-oriented firms, particularly those pursuing so-called “disruptive” innovation.³¹ Thinking in terms of innovation rather than high-technology allows us to consider the importance of, for example, business model innovation as a key driver of hypergrowth and a feature of VC’s “value-add” to the entrepreneurial process.³²

In any case, VC is a function suited only to entrepreneurial ventures of a particular type. The “problem” VC solves is connecting entrepreneurs with ideas (but no money) to investors with money (but, presumably, no good ideas).³³ Because these businesses tend to be at an early stage of development—often lacking a business plan and product, let alone revenue or profits—they are generally deemed unsuitable for

²⁹ The terms “capital efficiency and “potential upside” both refer to financial returns on investment (ROI). The basic insight given by this statement is that VC attempts to obtain maximum returns on capital investment in both relative and absolute terms. Nicholas, *VC*, 1.

³⁰ For instance, Starbucks, Home Depot, Staples, and Bulletproof, to name but a few. Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 25.

³¹ In the highly influential and well-read business book *The Innovator’s Dilemma*, Clayton Christensen makes a distinction between *sustaining* innovation and *disruptive* innovation. More will be said on this in due course, but the key point is that what distinguishes disruptive from sustaining innovation is that the essence of the former is to offer a new *value* proposition. See Christensen, *The Innovator’s Dilemma*, xix.

³² Peter Thiel, ever blunt about speaking to the realities of VC where others remain coy, puts it this way: “While Twitter is a lesser innovation than flying cars, it’s a much more valuable business. We live in a financial age, not a technological age.” Quoted in Friend, “The Mind of Marc Andreessen.”

³³ Kaplan and Lerner, “It Ain’t Broke: The Past, Present, and Future of Venture Capital,” 36.

traditional financing.³⁴ VC is therefore often framed as an alternative to bank-issued debt,³⁵ even though a special form of financing known as “venture debt,” offered by specialist banks such as the now defunct Silicon Valley Bank (SVB),³⁶ may be used as an auxiliary source of capital for VC-backed firms.³⁷

VC is not only to be distinguished from traditional banking, but also from the type of financial engineering and trading practiced at investment banks (IBs), even as it depends on those institutions to realize certain moments in the VC process. Moreover, although it relates to corporate finance and capitalist production, it is also technically neither of those things. It would be more accurate to say that VCs are intermediaries between all these functions and more. Harvard business scholar Tom Nicholas puts it this way:

³⁴ The appeal of bank financing would be that an entrepreneur is able to maintain full control of their business and not have to relinquish part ownership to a third party (i.e. VC), but VC also offers advantages in terms of incentives, depending on the productivity levels of the VC and entrepreneur. If sheer growth is the aim, VC can be superior despite equity dilution. See de Bettignies and Brander, “Financing Entrepreneurship: Bank Finance versus Venture Capital.”

³⁵ A slight caveat here is that this condition applies primarily to the US financial system where equity plays a far more significant role in business financing than bank-issued debt. Common counterexamples given are the German and Japanese financial systems where the reverse is true. Black and Gilson, “Venture Capital and the Structure of Capital Markets: Banks versus Stock Markets.”

³⁶ Prior to its collapse in March 2023

³⁷ Venture Debt is typically used as a bridging facility between rounds of equity financing. Because equity financing involves relinquishing a part of the company in exchange for capital, it is in the interests of existing owners (founders, employees, VCs, and others) to go into rounds of financing with the company valued higher rather than lower. Doing so ensures that more capital is obtained in exchange for less of the company. Often, venture debt is issued based on the very premise of increasing valuations, which will in turn guarantee repayment. It is because this situation is relatively unique to the world of startups and VC that niche banks such as SVB were established. In short, venture debt *follows* equity financing rather than replacing it. See, Nicholas, *VC*, 242–43; Feld and Mendelson, *Venture Deals*, 146; Shi, “Venture Lenders Turn More Conservative on Deal Terms as Startup Valuations Cool Off.”

“Modern VC involves intermediation by general partners in VC firms, who channel risk capital into entrepreneurial ventures on behalf of limited partners—typically, pension funds, university endowments, and insurance companies which characteristically do not act as direct investors in startups. For their intermediation, VC firms receive remuneration in the forms of annual management fees (typically 2 percent of the capital committed by limited partners) and “carried interest” as a share of the profits generated by an investment fund (typically 20 percent). VC funds tend to last about seven to ten years, and the firms behind them often manage multiple funds simultaneously.”³⁸

This intermediation, according to Josh Lerner and Steven Kaplan, two of the most well-respected scholars of VC, involves three things: (1) screening and selecting deals, (2) contracting and structuring deals, and (3) aiding business outcomes (e.g., hypergrowth) through governance and monitoring, which can mean moving founders out of executive positions and replacing them with more experienced and trusted individuals.³⁹

Before VCs can perform this intermediation role, they must first go through the process of raising funds from limited partners (LPs), and it is this part that differentiates VC⁴⁰ from cognate practices such as Corporate Venture Capital (CVC) and Angel Financing. CVC is different in that the funds used for equity-based investments are drawn from the financial resources of a parent corporation and are deployed with the

³⁸ Nicholas, *VC*, 2.

³⁹ In some cases, for instance with Cisco, this process can be extremely acrimonious, in other cases, such as was the case with Eric Schmidt’s appointment at Google, this process can be amiable (even if founders Larry Page and Sergey Brin were at first reluctant). See Kaplan and Lerner, “It Ain’t Broke: The Past, Present, and Future of Ventuer Capital”; Mallaby, *The Power Law*, 115–17; O’Mara, *The Code*, 363–64.

⁴⁰ Sometimes referred to as “institutional venture capital” or “formal venture capital” in the literature on entrepreneurial finance.

goal of directly or indirectly supporting that corporation's future success. In some cases, CVC is given complete autonomy and has an independently managed fund,⁴¹ in other cases investments are made directly from the corporate balance sheet. Examples include Google Ventures, Intel Ventures, Salesforce Ventures, and Microsoft Ventures.⁴² Angel financing (sometimes known as Business Angel Financing), on the other hand, involves a situation whereby a wealthy individual invests their own resources in exchange for startup equity.⁴³ Angel financing has grown in the past quarter century as ever more equity-owning employees of hypergrowth firms have been made overnight multi-millionaires during public offerings or mergers. However, angel financing is also arguably the oldest form of entrepreneurial finance, with magnates such as Laurence Rockefeller pioneering the conversion of idle capital into risk capital for "innovative ventures" in the early twentieth century.⁴⁴ Similar to CVC, the distinction between angels and VCs is that "angels invest their own money, while VCs invest other people's."⁴⁵

Today, angel financing is often the first form of financing received by businesses that later seek VC funding, thus making it a common pipeline into VC.

⁴¹ Some VCs suggest that in this scenario CVC is relatively "indistinguishable" from VC, however, as I shall outline in Chapter 1, this is simply not the case given the different incentives and stakes imposed upon agents working in VC versus CVC structures. See Feld and Mendelson, *Venture Deals*, 182.

⁴² See Chapter 2 for an explanation of why large corporations are attracted to venture capital via the CVC model.

⁴³ There is a variation of angel finance known as super-angel finance, whereby several wealthy individuals pool their money together and invest in a firm or several firms. The difference, as with angel financing, is that there are no intermediaries.

⁴⁴ Laurence Rockefeller went on to found the VC firm Venrock in 1969, a firm still in operation today. For a detailed discussion of Rockefeller and similar actors, see Nicholas, *VC*, 91–96.

⁴⁵ Tamaseb, *Super Founders*, 180.

Angels are often active or former entrepreneurs, and some are active or former VCs. The relationship, in short, can often be blurry.⁴⁶ But this phenomenon highlights another value-add feature of VC beyond financial backing—access to social networks, referrals, and reputational prestige.⁴⁷ It is not uncommon for entrepreneurs to choose a particular VC or VC firm not simply because they offer the best financial package but because their name carries the greatest weight within the VC ecosystem.⁴⁸ Being in this social network provides access to suppliers, future employees (including executives), customers, and so on, and the better placed one is in the hierarchy, the better their access to these resources. Furthermore, and this is crucial, these social networks are a means of recycling individuals—most often, but not always, entrepreneurs—into different roles within the VC process: entrepreneurs become angels, angels become VCs, VCs become entrepreneurs or angels, and so forth.

In sum, VC is a process whereby intermediary agents pool capital from investors, identify and screen entrepreneurial ventures with a potential for hypergrowth, and then, in exchange for an ownership stake bestowing both economic and governance rights,⁴⁹ provide capital and social network access and resources to

⁴⁶ Given the typically informal nature of Angel investing, there are even fewer sources of research data available on it compared to PE and VC. This has long been recognized as a problem without any clear solution. See Wetzel Jr., “Angels and Informal Risk Capital.”

⁴⁷ Cooman, “Imprinting the Economy,” 11.

⁴⁸ Founder of Amazon Jeff Bezos, for example, accepted a lower bid from John Doerr of Kleiner Perkins for this very reason. He said: “Kleiner and John are the gravitational center of a huge piece of the internet world. Being with them is like being on prime real estate.” Mallaby, *The Power Law*, 180.

⁴⁹ This exchange is reflected in the structure of the “term sheet,” the principal document establishing an entrepreneur-VC relationship. So much so that two of the most popular guides to VC for entrepreneurs, *Venture Deals* and *The Secrets of Sand Hill Road*, both organize large parts of their books around the structure of the term sheet and this distinction between “economics” and

those ventures. The only component missing from this description is the ephemerality of the VC-entrepreneur relationship. The VC process is always premised on a future “exit” event wherein the VC will sell their ownership stake in the firm as part of a public offering, acquisition, winddown, or secondary sale.⁵⁰ The goal of this event, ideally, is to obtain a sizable financial return as reward for the VC service imparted.⁵¹

VC: How has it evolved?

The origins of VC are debated, with some tracing it to figures such as Queen Isabella, Queen Elizabeth I, the Medici in Florence, and Henry Ford, or to nineteenth century industries such as New England Whaling and US cotton textiles manufacturing in Massachusetts.⁵² While there are many parallels between contemporary VC and the practices of these individuals and industries, there is no evidence to suggest any of them had a direct bearing on the formation of VC in the mid-twentieth century. Where there is fairly settled agreement, however, is in the idea that the financing of Fairchild Semiconductor in 1957 marks a significant turning point in this history—one that cannot be divorced from the emergence and growth of Silicon Valley in California.

“governance” (or, more bluntly, “control”). See Feld and Mendelson, *Venture Deals*; Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*.

⁵⁰ Zider, “How Venture Capital Works.”

⁵¹ Exit forms the thematic subject-matter of Part I of this dissertation.

⁵² O’Mara, *The Code*, 70; Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 53; Nicholas, *VC*, 3–9.

Several features of the Fairchild investment make it significant. First, the company's founders, who came to be known as the "traitorous eight," were employees leaving an existing company (Shockley Semiconductor Laboratory) to found a new *competing* company while drawing on expertise they had honed at the former. Their ability to do this was made possible at the time by California Civil Code restrictions on "non-compete" labor laws established in 1872. While most other states at the time prohibited employees from entering into competition with former employers for a set period of time, California was uniquely hospitable to the "startup" style of business whereby individuals with expertise could establish their own firms on the basis of an idea.⁵³ Second, rather than agents with expertise becoming *employees* of a firm (as they were at Shockley Semiconductor Laboratory and as was typical), the agents with expertise in this instance became *co-owners* of the firm (Fairchild Semiconductor) and therefore capitalists capable of capturing the value of their own labor. Third, the firm was established on the basis of equity-based financing established through one founder's personal connection to an established investor, demonstrating, even at this nascent stage, the importance of social networks.⁵⁴ Fourth, Fairchild Semiconductor grew so fast that it was essentially sold to its parent company (Fairchild Camera and Instrument) a mere two years after being founded, with each of its co-founders making a six-hundred-fold multiple on their initial financial stake in the business.⁵⁵ Finally,

⁵³ This is what non-compete laws prohibited. Nicholas, *VC*, 192–93.

⁵⁴ Eugene Kleiner, a member of the traitorous eight who went on to become one of the most famous VCs of all time, used a family connection to reach out to the New York investment firm where Arthur Rock was employed. Mallaby, *The Power Law*, 24.

⁵⁵ Mallaby, 38–39.

after the sale of Fairchild Semiconductor, all of the founders reinvested their newfound riches in other entrepreneurial ventures (including the founding of a VC firm), each essentially becoming what is today known as a “serial entrepreneur.”

One curious feature of VC is that for an industry focused on innovation and supposedly radical ideas and businesses, the evolution of its own form has been remarkably conservative.⁵⁶ Figure 0.1 summarizes some of the major events and innovations⁵⁷ occurring in the VC industry from the establishment of Fairchild Semiconductor up to the present. While Fairchild Semiconductor had been a single venture financed directly by Arthur Rock,⁵⁸ the eight co-founders, and Fairchild Camera and Instrument, *portfolio*-based venture investment soon became the norm, exemplified by American Research and Development Corporation’s (ARD) 1957 investments and its initial public offering (IPO) Digital Equipment Corporation (DEC) in 1966.⁵⁹ ARD was, however, still directly funded (by wealthy elites, making it similar to a Super Angel) and employed a closed-end fund. But this all changed with one of the most important innovations in the history of VC, the employment of the limited partnership (LP) organizational form. The first VC firm to employ the LP structure in

⁵⁶ “If one asks how exactly VCs do what they do, it is not clear that the answer today is much different from half a century ago. The dominant form of organization is still the limited partnership with an ephemeral fund life, even though this places constraints on the time scale of investment returns. Although there have been some organizational structure and strategy innovations, these have been paradoxically rare in an industry that finances radical change.” Nicholas, *VC*, 9. This point shall be taken up further in Chapter 2.

⁵⁷ Consistent with the rest of this dissertation, I am using the term “innovation” here to denote “the application of an invention or new technique” in industry. See Godin, *The Idea of Technological Innovation*, 70.

⁵⁸ Arthur Rock worked at the established investment firm (Hayden, Stone & Company) mentioned above. He went on to become one of the most famous VCs of all time.

⁵⁹ Hsu and Kenney, “Organizing Venture Capital.”

Silicon Valley was Draper, Gaither & Anderson (DGA) in 1959. It was established in what has come to be known as the “tax shelter” era of the 1950s to 1970s, when wealthy elites, business owners, and investors impacted by historically high taxes on income and corporate earnings began seeking creative strategies for tax avoidance. The LP business structure offered one such strategy, allowing investors to exploit tax laws while avoiding legal requirements around the public disclosure of individual compensation and fund-level returns. With the LP partnership came the innovation of limited-term funds, a structural feature of VC that still dictates many of the incentive structures and outcomes of VC-based investments. Other firms such as Greylock (established 1965) quickly adopted this model as the standard.⁶⁰

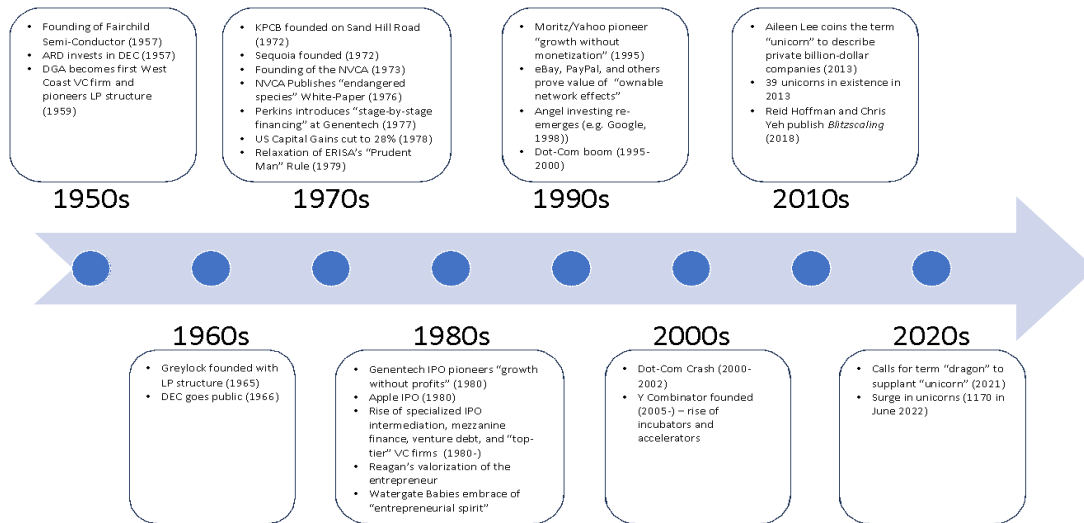


Figure 0.1 – Key Moments in the Evolution of VC (Source: Author)

⁶⁰ Nicholas, *VC*, 3–9.

The 1970s saw the founding of several VC firms that remain establishment figures in the industry up to the present day, most notably Kleiner Perkins⁶¹ and Sequoia Capital (both established 1972). More important, though, was the establishment in 1973 of the National Venture Capital Association (NVCA). The NVCA is particularly significant in this period for the lobbying role it performed on behalf of the industry, culminating in two major policy changes without which VC would not be the force it is today.⁶² The first entailed a series of reductions in the rate at which capital gains were taxed. The by-now well-established LP structure of VC funds ensured that most of the returns made from VC investments were treated as “carried interest”⁶³ and therefore classified as long-term capital gains. But in 1978, in part due to NVCA lobbying, the net capital gains tax rate was cut from 40 percent to 28 percent, and then again to 20 percent in 1981.⁶⁴ The second major change was a reinterpretation in 1979 of the “prudent man” rule contained within the Employee

⁶¹ Established as Kleiner Perkins Caufield and Byers (KPCB), it was the first VC firm to be located on Sand Hill Road and is sometimes credited without creating the VC cluster this area is today globally famous for. Nicholas, 212.

⁶² One of its first major acts was the publication of a white paper distributed on Capitol Hill in 1976, entitled “Emerging Innovative Companies—An Endangered Species.” O’Mara, *The Code*, 163.

⁶³ VCs receive income from two sources. The first are management fees on the amount of capital invested in a fund. Average fees are around two percent of total capital (per year), typically tapering or ending with the commitment period (at which point remaining funds must be distributed to existing portfolio firms). A \$100 million fund will therefore bring \$2 million of income into a VC firm every year for the first five years of its existence. The second, and main source of a VC’s income comes from carried interest, which should greatly overshadow its management fees. Carried interest is typically determined to be 20 percent of the investment returns (i.e., profits) remaining after the initial capital stake is returned to LP investors. A \$100 million fund that returns \$300 million, for example, would provide a VC firm with \$40 million. This return will be taxed at a comparatively low long-term capital gains tax rate. The two percent and 20 percent “canonical” allocations (2/20) are negotiable, and the most reputable VC firms often receive higher fees and “carry.” See Brad Feld and Jason Mendelson, *Venture Deals: Be Smarter than Your Lawyer and Venture Capitalist*, 4th Edition (New Jersey: Wiley, 2019), 172–73.

⁶⁴ O’Mara, *The Code*, 170–71. See also <https://home.treasury.gov/system/files/131/Report-Capital-Gains-Reduction-1978.pdf>

Retirement Security Act (ERISA) of 1974. That rule prohibited the investment of retirement funds in asset classes designated as high risk (including VC), and with its relaxation in 1979 a flood of new, previously inaccessible capital came pouring into the VC industry. The combined effect of these two changes was to see an additional \$1.5 billion flowing into VC investments between 1978 and 1980.⁶⁵ The carried interest tax loophole remains a controversial subject up to the present day,⁶⁶ just as pension funds continue to be a major VC constituent.⁶⁷

Moving into the 1980s, the first major event in the evolution of VC is the IPO of Genentech in 1980, the firm that effectively established today's biotech industry. What makes Genentech particularly significant is that it was the first VC firm to go public whilst still unprofitable.⁶⁸ It effectively proved the "growth without profits"

⁶⁵ The equivalent of roughly \$3.7 billion in 2023 when adjusted for inflation. See O'Mara, 171.

⁶⁶ The persistence of the carried interest tax loophole cannot be divorced from the context in which capital gains was reduced—1970s stagflation and the birth of the neoliberal era. Given the failures of Keynesian economics, and Republican ascendancy in US politics, Democrats at this time started to buy into the tax break narratives of their opposition, demonstrating the hegemonic power of neoliberalism as a political-economic force: it captures the policy agendas of all status quo politics (left, right, center) and continues to do so right up into the present era. It also forms the basis of what I will call, in Chapter 3, the "Silicon Valley Consensus." See O'Mara, 170.

⁶⁷ The role of pension funds in VC investment is arguably one of its powerful underlying legitimators. Making money for pension plans (and university endowments) is often held up as one of the social goods enacted by VC (wherein "social good" is short for "good for capitalism"), silently ignoring the fact that a significant portion of LP capital has more dubious origins. Because many Americans have some form of pension plan invested through the stock markets and VC, they have "skin in the game" when it comes to the capitalist system. If the stock market or innovation ecosystems suffer a crisis, there is subsequently widespread (if reluctant) public support for government support of these industries, even when such crises have been induced by the reckless self-serving behavior of rapacious capitalists. See, for example, Griffith, "Start-Ups Ask, 'Are We Making Money for Saudi Arabia?'; Young and Feldman, "How the Public Feels about the Silicon Valley Bank Failure"; Kohut and Parker, "57% of Public Favors Wall Street Bailout."

⁶⁸ While this "model" was pioneered with Genentech, it should not be mistaken for a Genentech innovation. The idea and decision to go public without profits was largely driven by the VC Tom Perkins of Kleiner Perkins. Mallaby, *The Power Law*, 78; Also, for transparency, Genentech was unprofitable at the time of its IPO but had made a profit in one of the four years prior to its IPO. O'Mara, *The Code*, 179–80.

model that has become one of VC's chief characteristics and bestowed it a significant role in the history of capitalism. Genentech was also the first recipient of another VC innovation: stage-by-stage financing. Under this structure, instead of taking all required capital upfront via one large equity sale, founders sell equity piece by piece, raising just enough capital at each interval to meet their next milestone. The theory is that as progressive milestones are met, firm value increases and the value of equity goes up meaning less equity needs to be sold for the same capital injection. Crucially, though, stage-by-stage financing also imposes powerful performance incentives upon founders, tying their very survival as capitalist-entrepreneurs to aggressive performance and growth targets.⁶⁹

Of course, no history of VC, however brief, can ignore the rise and fall (and rise) of Apple, the most valuable company in the world at the time of writing with a market capitalization exceeding \$3 trillion in 2023. Its 1980 IPO was a landmark event not just for technology and computing, but for VC and capitalism in general. Two features of Apple's venture-backing deserve attention. First, it was, according to historian Sebastien Mallaby, a successful product of the "venture network" emerging in and around Silicon Valley during the same period. Not only were Steve Jobs and Steve Wozniak able to bounce back from numerous rejections and nevertheless maintain a healthy stream of investor referrals, but once they were in partnership with

⁶⁹ This point will be taken up again in more detail in Chapters 1 and 3. In Chapter 1, I explore the role of incentives in structuring agent behaviors, while in Chapter 3 I present an argument around the class basis of entrepreneurial identity under the VC process. The "survival" metaphor (i.e. survival *as a capitalist*) is introduced in Marx, *The Communist Manifesto*, 44–45.

Don Valentine of Sequoia, the network delivered them an experienced CEO in the form of Mike Markkula.⁷⁰ The power and function of the venture network remains one of VC's most crucial and distinct features, and will be the subject of Chapters 3a and 3b. Second, was the signaling effect of Apple's success upon a VC-Entrepreneur ecosystem that had just been boosted by the two "supply-side" policy changes noted above. Thus, following Apple's IPO, the 1980s saw a torrent of large venture-backed IPOs, and with them the emergence of all sorts of industry innovations and facilities, such as the rise of specialized IPO intermediation at IBs, mezzanine finance,⁷¹ and venture debt.⁷² Moreover, the notion of "top-tier" VC firms—desirable as much for their reputational prestige and network privileges as for their capital—became a commonplace feature of the VC-Entrepreneur ecosystem (this will be examined at length in Chapter 5).

The next major innovation came in 1995 when Mike Moritz of Sequoia took a gamble on Yahoo. If Genentech introduced the "growth without profits" model to VC, then it was Yahoo's honor to introduce "growth without monetization." That is, at the time of Sequoia's investment, the product was not only free but planned to stay that way. Moreover, it had no patents and no notable engineering advantage to obstruct competition; its only real power was speed of adoption (hypergrowth) based on

⁷⁰ Mallaby, *The Power Law*, 81–85.

⁷¹ Mezzanine finance is a form of bridging finance combining debt- and equity-based provisions. It is typically provided to private firms that plan to be acquired (or to make an acquisition) in the near future and do not wish to pursue additional 3rd party equity financing.

⁷² Nicholas, *VC*, 8.

aggressive branding.⁷³ It was, as such, one of the first examples of “blitzscaling” as a business strategy.⁷⁴ In a circular kind of logic, its growth depended on its ability to keep growing—growth produced the momentum to keep customers and investors flowing. Moritz, unlike most VCs, did not come from an entrepreneurial background but the world of news media. He was thus able to see the analogy between Yahoo’s business model and radio broadcasting that offered its services for free and obtained revenue via advertising. In any case, growth became Yahoo’s most important product—more so even than revenue or profit.⁷⁵ Today, growth has supplanted revenue and profits in the VC process to such an extent that one anonymous VC I spoke to stated it as common sense that “if a company was profitable, it wouldn’t need venture capital.” But the Yahoo case proved something else: an innovative business model can be just as effective as technology or science in producing investor returns.⁷⁶

This business model, which investors and entrepreneurs were still getting used to, cannot however be divorced from the late-nineties dot-com boom and bust (1995-2002) wherein countless internet startups (including so-called “vaporware” businesses)

⁷³ As Mallaby puts it, “Yahoo entailed no technological risk, it involved a huge amount of market risk, because no technological moat protected it from competitors. What’s more, competition was bound to be especially ferocious because of the winner-takes-all logic of Yahoo’s business” Mallaby, *The Power Law*, 153.

⁷⁴ The term “blitzscaling” was coined by VC and entrepreneur Reid Hoffman. Put simply, it is the prioritization of speed growth over stability (or profits, or revenue), with the aim of beating competition and being able to adopt a monopoly-like position in the market. The theory is that short-term losses in winner-takes-all markets will become long-term gains to the victor. See Hoffman and Yeh, *Blitzscaling*.

⁷⁵ At one point all proceeds from advertising income were being redeployed as marketing expenses to maintain the momentum of expansion and growth. Mallaby, *The Power Law*, 154.

⁷⁶ This will be discussed further in the coming chapters. For now, see Doganova and Muniesa, “Capitalization Devices: Business Models and the Renewal of Markets.”

crashed as a growth bubble based on nothing *but* growth met the terrestrial reality of hard cash as a basis of capitalist accumulation.⁷⁷ The key to understanding why this model has persisted can be seen by looking at companies that survived—eBay and PayPal, for instance. What these companies introduced and has now become commonplace, is the notion of “ownable network effects” as a means of “defensibility.”⁷⁸ Put simply, it is a model whereby growth occurs concomitant with quality improvement—the more users a system has, the more it is, and the harder it becomes to simply abandon that system for another. This is the model underpinning nearly all contemporary (VC-backed) social media platforms, including Facebook, Instagram, LinkedIn, Twitter (now X.com), TikTok, YouTube, and so forth.

The final two innovations I want to note before moving on relate to the re-emergence of Angel investing around the time of the dot-com bubble. Despite using VC to facilitate its growth at a later stage, Google was initially given life as a result of \$1 million in Angel financing. Rather than giving away too much equity or submitting to aggressive performance targets, the founders (Larry Page and Sergey Brin) were able to maintain a relative degree of ownership and autonomy over their venture.⁷⁹ Arguably, this was the bellwether of a new era in VC investing, wherein the power

⁷⁷ This is summed up in Marx’s famous “General Formula for Capital,” M-C-M’ (money-commodities-more money) and will constitute the underlying context for my argument in the following chapters. See Chapter 4 of Marx, *Capital*.

⁷⁸ In a recent study of unicorns, Ali Tamaseb dedicates a whole chapter to “The Defensibility Factor” as a means of achieving and maintaining private valuations exceeding \$1 billion dollars. Alongside ownable network effects, he lists Engineering, IP, and Brand as major means of defensibility. What makes eBay important is that it essentially introduced the notion of ownable network effects. The more users there are on eBay, the more its use-value increases. Its quality of use is dependent on the quantity of users it brings together. See Tamaseb, *Super Founders*, 167–72; Mallaby, *The Power Law*, 167.

⁷⁹ Mallaby, *The Power Law*, 176.

balance shifted from VCs to entrepreneurs, with many VC firms repositioning themselves as “founder friendly” in order to maintain deal flow—a trend that has since encouraged and exacerbated the worst excesses of entrepreneurial behavior.⁸⁰ Second, with the rise of Angels as a significant source of VC deal flow (further compounding the value of VC social networks) came the emergence of startup incubators and accelerators. The most notable of these is Y Combinator, founded by Silicon Valley guru Paul Graham, whose blog posts have become a legendary and essential part of the Silicon Valley “canon,” and who intriguingly used his early blogging as a platform for discouraging would-be entrepreneurs from taking VC money.⁸¹ Y Combinator acts like an Angel, giving would-be founders a small amount of capital to explore an idea, along with the added benefits of community support and the opportunity to present their developed business idea at a public “demo day.” Today, these demo days have become one of the key sources of VC deal flow.⁸² Famous Y Combinator “graduates,” who went on to receive VC-backing, include Airbnb, Stripe, and Instacart, to name but a few.⁸³

⁸⁰These excesses are exemplified by Mark Zuckerberg and Sean Parker at Facebook, Travis Kalanick at Uber, Elizabeth Holmes at Theranos, and Adam Neumann at WeWork. For detailed accounts of these examples, see Frenkel and Kang, *Ugly Truth*; Isaac, *Super Pumped*; Carreyrou, *Bad Blood*; Brown and Farrell, *Cult of We*. The cult of the founder will be addressed in Chapter 5.

⁸¹ See, for instance, the essay “How to Start a Startup” at <http://www.paulgraham.com/start.html>. His three major critiques of VC at the time were: 1) big investments made is less likely that an entrepreneur-friendly exit would be pursued if VCs did not benefit; 2) big investments could mean slow action by VCs; and 3) big investments made VCs nervous about novelty and would therefore encourage conservative normalization—precisely the X-factor that was supposed to give innovators their edge.

⁸² “Y Combinator is a minor league farm club. We send people on up to VCs.” Paul Graham quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 124.

⁸³ Paul Graham’s U-turn from VC hater to significant supporter of the VC ecosystem is in itself a notable example of how the VC critique delivered by VC “outsiders” tends to be negated once they become “insiders.”

The combined effect of these VC innovations was to see private valuations soar during the 2000s and 2010s. So much so that, in 2013, a VC named Aileen Lee coined the term “unicorn” to figuratively express the rarity of a new phenomenon: privately held companies with a valuation exceeding \$1 billion.⁸⁴ Her data set suggested that at the time there were 39 such entities in existence, but within a decade that figure had risen to 1170. Today, valuations are so high that commentators are calling for a new term—“dragons”—to account for the rise of private firms valued over \$12 billion dollars (*net* venture funding). Remarkably, in August of 2021 there were 19 so-called “dragons” in existence, including venture-backed firms such as Stripe, SpaceX, Instacart, Databricks, Rivian, and more.⁸⁵ Unquestionably, a new era of valuation is upon us.

VC: Why is it important?

VC has immense economic, social, and political importance.

⁸⁴ Obviously, startup unicorns weren’t particularly rare at the time, or Lee would not have felt compelled to coin a term for them (her article counts 39). Also, the metaphor appears ill-conceived—after all, unicorns aren’t rare, they are fictional; they don’t actually exist, except in the imagination. Given the vacuity of private valuations, though, is it a stretch to say that business unicorns are also a mere fiction? Lee, “Welcome To The Unicorn Club.”

⁸⁵ It is perhaps significant that whereas unicorns are typically helpful, benevolent, and heroic mythical creatures, dragons are tyrannical, evil, and destructive. When even pro-capitalist commentators are reaching for such representations, we should take note. Primack, “Why the Startup World Needs to Ditch ‘Unicorns’ for ‘Dragons.’”

Economically speaking, the value of VC cannot be understated. In a 2015 article, business scholars Ilya Strebulaev and Will Gornall showed that amongst public companies in the period 1968-2020, 41 percent of total US market capitalization, 62 percent of US public companies research and development (R&D) spending, and 48 percent of patent value can be attributed to firms receiving venture-backing.⁸⁶ By their estimates, the creation and growth of 63 out of the top 300 companies in that same period is directly attributable to the impacts of ERISA “prudent man reforms” and the US VC industry.⁸⁷ Furthermore, as of July 2023, seven out of the top ten global companies by market capitalization received significant VC backing while private (see Table 0.1).

Rank	Company	Founded	First VC Round	IPO	Market Cap
1	Apple	1977	1977	1980	\$3.076 T
2	Microsoft	1975	1981	1986	\$2.754 T
3	Saudi Aramco	1933	n/a	2019	\$2.084 T

⁸⁶ Note these figures *exclude* private companies. Gornall and Strebulaev, “The Economic Impact of Venture Capital,” 3.

⁸⁷ “In the immediate aftermath of the ERISA rule change, a large fraction of young companies coming onto the market were VC-backed. Over the next several decades, their fraction climbed from virtually zero in the pre-ERISA period to 14% in the 1980s, 23% in the 1990s, and 38% between 2000 and 2020.” “Over the last fifty years, the creation and growth of 63 companies in the top 300 US companies could be attributed to the causal impact of the ERISA reforms and the US VC industry. Given that since 1969, 81 VC-backed companies made it to the top 300 by market capitalization, 63 of them, or 78%, likely would not have thrived had it not been for the changes initiated in the 1970s.” Presumably, the impact of capital gains tax reductions also played a significant (perhaps even *greater*) role, yet this is a causal factor the authors do not account for. Their point is more specifically that macroeconomic changes in the US VC context related to ERISA reforms led to a significant divergence in the growth of VC in the US and elsewhere in the world. Gornall and Strebulaev, 5, 22–29.

4	Alphabet (Google)	1998	1999	2004	\$1.552 T
5	Amazon	1994	1996	1997	\$1.394 T
6	NVIDIA	1993	1993	1999	\$1.160 T
7	Tesla	2003	2004	2010	\$939.19 B
8	Meta Platforms	2004	2005	2012	\$809.59 B
	Berkshire				
9	Hathaway	1839	n/a	1996	\$749.97 B
10	TSMC	1987	n/a ⁸⁸	1994	\$534.66 B

Table 0.1 – Top 10 Global Companies by Market Capitalization⁸⁹

The economic benefits extend beyond corporate financials. Because of the attribution of R&D spending and patent value to VC-backing, the authors suggest that “of all the US public companies founded after 1968, VC-backed companies are almost solely responsible for corporate innovation.”⁹⁰ Similarly, a 2010 study by the VC-friendly Ewing Marion Kauffman Foundation went so far as to claim that net job growth in the US economy occurs *only* through startups firms—many of which are the recipients of VC—and that for all but seven years in the period 1977-2005, existing firms were

⁸⁸ While TSMC did not receive formal VC backing, it was founded based on capital from Dutch giant Philips and the Taiwanese government. It was thus technically a product of state-led financing and CVC.

⁸⁹ Data collected from a combination of Gornall and Strebulaev, “The Economic Impact of Venture Capital,” and <https://companiesmarketcap.com/>. Accurate as of July 19, 2023.

⁹⁰ This claim is similarly backed up by other scholars (Kortum and Lerner) who similarly use patent data to make their case. Gornall and Strebulaev, 19; Kortum and Lerner, “Assessing the Contribution of Venture Capital to Innovation.”

actually net job destroyers. The implication: startups and the VC industry are an unquestionable force for economic good. And when these statistics are combined with PE research suggesting that the number one reason startups fail is a lack of capital, the economic importance of VC appears irrefutable.⁹¹

But what is missing from this description? First, it goes without saying that in the above the term “economic” does not really mean “economic” but is rather a shorthand—or codeword—for capitalism. All this supposed “good” therefore needs to be interpreted against the subtext of systemic and class-based interests. Second, beyond the statistics, we need to consider *who* these firms are and what they actually *do*—that is, multibillion-dollar firms, given their scale of operations, must be assessed not simply in economic terms and measures but also with regard to their social, cultural, and political impact. Strebulaev and Gornall freely acknowledge this: “[b]eyond simple financial returns, each of these companies has dramatically changed the world we live in both directly and through spillovers.”⁹² However, they fail to explore the point in any way. Instead, we have—as is common in the literature—an acknowledgement of VC’s social impacts followed by an immediate retreat from any substantiation of the point. Moreover, whenever social impacts *are* invoked as a token gesture (here and elsewhere), their existence is framed in solely positive terms—the notion that social *ills* might be attributable to VC is apparently a non-starter.⁹³

⁹¹ The second reason is a lack of market demand and the third is being competed out of business. See “Why Startups Fail: Top 12 Reasons | CBInsights.”

⁹² Gornall and Strebulaev, “The Economic Impact of Venture Capital,” 2.

⁹³ For instance, Gornall and Strebulaev: “Our results provide an impetus for further research on the impact of the VC industry on both the economy and society ... the *positive and normative aspects* of

Of course, a VC-backed firm need not be in the top ten for market capitalization (nor need it be public) to be globally massive with a significant role in social life. Consider the case of ByteDance, for instance, the highest valued private firm in the world and maker of TikTok social media app which has become a geopolitical controversy due to allegations of brainwashing techniques hidden in the software;⁹⁴ or SpaceX, the second highest valued private firm led by Elon Musk, technically the first private citizen to send a rocket into space commercially, and who has since spoken—however tongue-in-cheek—of “colonizing Mars.”;⁹⁵ or Stripe, an eCommerce payments firm (fourth most valuable private company in the world) that almost anyone shopping online uses regularly, most likely without even knowing it exists.⁹⁶ And that is not all. While Big Tech takes the headlines,⁹⁷ numerous other socially transformative industries are growing influential through VC investment—meteor mining, metaverse real estate, gene therapeutics, cryptocurrency infrastructure, carbon capture, and so on.

which are yet to be fully accounted for.” (emphasis added); Mallaby (who cannot even bring himself to use the word “bad”): “Of course, Big Tech [as a product of the VC industry] has a dark side. Companies as huge as Amazon, Apple, Facebook, and Google have all kinds of social impacts, some good and some *not*.” (emphasis added); and Nicholas (who only acknowledges social impacts in the context of their economic value): “From a societal perspective, keeping the startup sector vibrant is perhaps the most important function the VC industry performs. Venture capitalists generate private value in the form of fund-level returns, but the social value they create surely exceeds that. That social value is equivalent to private value plus all other returns realized from the technological change that venture financing enables. Numerous innovations developed by VC-backed firms... have moved society forward ... New startups ... bring about the creative destruction ... critical to economic growth.” Gornall and Strebulaev, 30; Mallaby, *The Power Law*, 380; Nicholas, *VC*, 316.

⁹⁴ “Who’s Afraid of TikTok?”; “As TikTok Grows, so Does Suspicion.”

⁹⁵ “NASA - SpaceX Successfully Launches Falcon 1 to Orbit”; Welsh, “Tesla’s Elon Musk Is Fortune Businessperson of the Year.”

⁹⁶ As of July 2023, ByteDance is valued at \$225 billion, SpaceX at \$137 billion, and Stripe at \$50 billion. See CBInsights, “The Complete List Of Unicorn Companies.” for updated figures.

⁹⁷ For example, Foroohar, “Superstar Companies Also Feel the Threat of Disruption”; Desjardins, “How Google Retains More than 90% of Market Share”; “80+ Facebook Statistics You Need to Know in 2023 - Omnicore”; “The Latest Video Trends”; Vincent, “99.6 Percent of New Smartphones Run Android or IOS - The Verge”; Research, “The Regulatory Case against Tech Giants.”

All of which (and more) will transform social life around the planet (and beyond) and are being championed as if they are part of some irresistible natural law.⁹⁸

But natural law or not, *who* these companies are and what they do is neither accidental nor random. Consider the following statement given at The Montgomery Summit, an annual gathering of entrepreneurs, investors, and executives:

“As many of you know, venture capitalists – it’s their job to identify the kind of companies and the kind of world that we want to live in and then invest in those companies and build them out and support them and they usually come on early stage and there when no-one else believes and no-one else understands.”⁹⁹

Read almost any historical narrative of a successful venture-backed company, and you will be told of a moment that changed everything, of a sliding door decision in which the intervention of a VC sent some business in the direction of its present glory.¹⁰⁰ VCs are not, then, merely intermediaries when it comes to socially and politically transformative industries, markets, and firms—they are *gatekeepers*.¹⁰¹ And there is evidence to suggest that this role goes beyond the mere flow of capital, with VCs

⁹⁸ Daub, *What Tech Calls Thinking*, 5.

⁹⁹ “The Evolution of VC: What's Next?” *YouTube*, uploaded by The Montgomery Summit, 29 Jun. 2022, www.youtube.com/watch?v=ZeRfAFolr3E.

¹⁰⁰ The examples are too numerous to enumerate fully, yet they are prevalent enough for Roelof Botha of Sequoia Capital have employed a term—“crucible moments”—to describe them. Carson, “Sequoia’s Roelof Botha Has a Plan to Remake the VC Industry.” For a taster see the Airbnb story in Hoffman and Yeh, *Blitzscaling*, 1–6; the X.Com/PayPal merger in Mallaby, *The Power Law*, 201–7; the story of Nest in Doerr, *Speed & Scale*, 271–72; and numerous pivots, including Glitch’s pivot into Slack, recounted in Tamaseb, *Super Founders*, 87–94.

¹⁰¹ Cooman, “Imprinting the Economy,” 5.

“imprinting”¹⁰² their own structural logic upon the businesses as a conditional byproduct of their financial decision making. Gornall and Strebulaev use this point to make a distinction between the importance of VC itself and the firms it nurses into being. Following others,¹⁰³ they suggest it possible (if not conclusive) that the importance of VC is as much derived from value-add governance functions—“providing strategic guidance, sourcing key employees ... attracting new investors,” helping with recruiting, commercialization, innovation, and so forth—as it is financial support.¹⁰⁴ Admittedly, this influence may be ostensibly limited to factors such as business model, valuation, organization, of choice of technology, but in the chapters that follow I will make the case that it is precisely the work (and secret) of the business *form* that matters—potentially far more than the product content of any given firm.¹⁰⁵ Thus, while the critical gaze of social science is fixed on the content of entrepreneurial ventures, the more subtle and hidden work of VC may be the real differentiator.

VC is arguably, then, far more important than it first appears. When Peter Thiel says the *decision* to build new technologies (and firms) amounts to a “rewrit[ing] the plan of the world,” and Reid Hoffman says his *business model* (blitzscaling) can be

¹⁰² Franziska Cooman, one of the few critical voices working on the social science of VC, defines imprinting as an aspect of structural power. Specifically, the power *to* structure. See Cooman, 2.

¹⁰³ Gorman and Sahlman, “What Do Venture Capitalists Do?”; Gompers et al., “How Venture Capitalists Make Decisions.” Gorman and Sahlman, “What Do Venture Capitalists Do?”; Gompers et al., “How Venture Capitalists Make Decisions.”

¹⁰⁴ Gornall and Strebulaev, “The Economic Impact of Venture Capital,” 18–19.

¹⁰⁵ Slavoj Žižek makes this point in relation to the “symptom” as articulated by Lacan. The symptom is what *appears*, it is not the essence of any given problem but the surface manifestation obscuring a deeper, hidden pathology—a “cause” as such. Žižek notes that what Marx and Freud share in their respective discussions of the commodity and dreamwork is a concern with the secret of the form (i.e., cause) itself, rather than the content manifest within or by this form (i.e., the symptom). For Žižek, this is the structural underpinning of ideology. See Žižek, *The Sublime Object of Ideology*, 1, 8.

used to “reshape the world,” we should sit up and pay attention.¹⁰⁶ While these may be the opinions (or brazen admissions) of only two agents in the industry, they are immensely influential voices in what is, remarkably, still something of a cottage industry concentrated in a small area of Northern California.¹⁰⁷ While VC is undoubtedly expanding, not just in terms of capital managed and deployed, but also as a globally proliferating cultural form via the policy-led promotion of regional innovation hubs and clusters (discussed in Chapter 3b), Silicon Valley remains the epicenter of this movement, producing and financing more entrepreneurs than any region in the world by a significant margin.¹⁰⁸ Thus, the situation we are presented with amounts to a relatively small cohort of—as we shall see, extremely non-diverse—people concentrated in a Western, affluent geographical region who work in an industry that spawns (and influences the form of) world-changing industries possessing the ambition and scale to transform and dominate social life.¹⁰⁹ The amplification of social power this represents is arguably unprecedented—so how, then, is it being held to account?

¹⁰⁶ Hoffman: “successful blitzscalers often reach a point where they are more than just a business; they actually affect the fabric of the society in which they operate.” Thiel and Masters, *Zero to One*, 2; Hoffman and Yeh, *Blitzscaling*, 14, 283.

¹⁰⁷ As VC Scott Kapor notes, while the US VC industry raised close to \$33 billion in 2017, it was dwarfed by other areas such as Hedge Funding, which managed more than \$3 trillion in the same year. In the context of US GDP (\$17 trillion), VC financings are tiny. See Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 41.

¹⁰⁸ A significant factor in the production of entrepreneurs is related to the university system in this region. Stanford and UC Berkeley take the first and second spot for most VC-backed founders in the US. Hoffman and Thiel both attended Stanford together. See Stanford, “Bay Area Keys to VC”; Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 40.

¹⁰⁹ PitchBook, for example, notes that the Biotech industry is as much a product of VC-style investing and the business model innovations it facilitates as it is about technology. See O’Leary, “Exploring the Intersection of Biotech and VC.”

II. ABSENT DEBATES

Given the historical influence and growing importance of VC, we would expect there to be a thriving scholarly scene in terms of industry research, and indeed, the literature is vast. But despite the volume and energy of this research, there are numerous gaps in the way it is structurally organized, the ultimate effect of which is to obstruct or divert inquiry away from any form of systematic critique. For ease of exposition, we can break the literature relating to VC and its related processes into three broad categories, each of which shall be described in the following three subsections. The first addresses the VC→Entrepreneurship relationship to the exclusion of its social impacts, the second addresses the Entrepreneurship→Society relationship to the exclusion (or at least diminution) of VC. The third body of literature, although attempting to look at VC holistically, in terms of the VC→Entrepreneurship→Society relationship, either dismisses, marginalizes, or entirely eschews critical analysis, arguing in a contradictory way that VC is at once the engine behind entrepreneurship's spectacular social benefits and at the same time to absolved from responsibility for any of the social (or political) ills deriving from entrepreneurial production. This, I argue, presents a puzzle.

It is not my intention to suggest that the paucity or difficulty of critique constitutes a conspiracy or any kind of active obstruction; instead, I wish to set the stage for an inquiry that will lean into the various contradictions and occlusions and, by analyzing VC on its own terms and through its own discourses in a form of *immanent*

critique, provide an answer based on the very function of VC as a unique and distinct material and ideal presence in the world.

Literature I: The VC→Entrepreneurship Relationship

The great majority of research on VC is produced by business, finance, and legal scholars, and is concerned with the relationship between the VC and entrepreneurial processes. Unsurprisingly, its chief characteristic is to develop and answer questions relating to the “business” of VC and entrepreneurial finance (EF).¹¹⁰ That is, it tends to be preoccupied with articulating and addressing efficiencies and inefficiencies in the way that VC does business with entrepreneurs, both from the perspective of the system and with a view to strengthening and improving it. Typical questions¹¹¹ driving academic articles include “How do VCs make decisions?”¹¹² “Do public efforts harm or hinder VC outcomes?”¹¹³ “What is the niche filled by VC firms?”¹¹⁴ “What explains

¹¹⁰ Entrepreneurial finance (EF) is essentially its own field of study, with a number of handbooks and textbooks dedicated to the topic. While EF does address the VC process, it is also equally concerned with cognate practices such as Angel Investing, Crowdfunding, CVC, State-led financing, Debt, and so on. It is therefore a field of interest, but not concentrated on VC as a distinct practice. For good examples of EF literature, see Landström, *Advanced Introduction to Entrepreneurial Finance*; Lingelbach, *De Gruyter Handbook of Entrepreneurial Finance*.

¹¹¹ The following questions are mostly paraphrased rather than reproduced verbatim to permit a greater list of citations on the various topics

¹¹² Gompers et al., “How Do Venture Capitalists Make Decisions?”; Macmillan, Siegel, and Narasimha, “Criteria Used by Venture Capitalists to Evaluate New Venture Proposals”; Hall and Hofer, “Venture Capitalists’ Decision Criteria In New Venture Evaluation.”

¹¹³ Lerner, *Boulevard of Broken Dreams*; Leleux and Surlemont, “Public versus Private Venture Capital”; Lerner, “When Bureaucrats Meet Entrepreneurs”; Lerner, “The Future of Public Efforts to Boost Entrepreneurship and Venture Capital.”

¹¹⁴ Amit, Brander, and Zott, “Why Do Venture Capital Firms Exist? Theory and Canadian Evidence.”

VC success in selecting ventures?”¹¹⁵ “Why are some VC→entrepreneurship relationships more successful than others?”¹¹⁶ “What value-add do VCs offer?”¹¹⁷ “Does VC impact innovation?”¹¹⁸ “Does VC lead or follow the creation of startup clusters?”¹¹⁹ “What is the role of the venture network?”¹²⁰ “Do VCs invest in entrepreneurs similar to themselves?”¹²¹ “What is the role of reputation in VC outcomes?”¹²² “How do VCs use risk to produce financial returns?”¹²³ And so on. What these accounts miss, however, are the vast social and political impacts of VC as a particular mode of investment and global transformation; they are so dedicated to the question of how VC might become more efficient, they never stop to ask whether it should be—whether greater efficiency will lead to more or *less* ethical outcomes.

¹¹⁵ Baum and Silverman, “Picking Winners or Building Them? Alliance, Intellectual and Human Capital as Selection Criteria in Venture Financing and Performance of Biotechnology Startups”; Gompers et al., “Skill vs. Luck in Entrepreneurship and Venture Capital: Evidence from Serial Entrepreneurs.”

¹¹⁶ Roure and Keeley, “Predictors of Success in New Technology Based Ventures.” Macmillan, Zemmann, and Subbanarasimha, “Criteria Distinguishing Successful from Unsuccessful Ventures in the Venture Screening Process”; Walske and Zacharakis, “Genetically Engineered: Why Some Venture Capital Firms Are More Successful Than Others”; Cooper, Gimeno-Gascon, and Woo, “Initial Human and Financial Capital as Predictors of New Venture Performance.”

¹¹⁷ Lerner, “Venture Capitalists and the Oversight of Private Firms”; Hsu, “What Do Entrepreneurs Pay for Venture Capital Affiliation?”

¹¹⁸ Kortum and Lerner, “Assessing the Contribution of Venture Capital to Innovation”; Delbecq, “Innovation as a Silicon Valley Obsession”; Howell et al., “Financial Distancing: How Venture Capital Follows The Economy Down and Curtails Innovation.”

¹¹⁹ Gilson, “The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, And Covenants Not to Compete”; Armour and Cumming, “The Legislative Road to Silicon Valley”; Feldman, “The Entrepreneurial Event Revisited: Firm Formation in a Regional Context.”

¹²⁰ Hochberg, Ljungqvist, and Lu, “Whom You Know Matters: Venture Capital Networks and Investment Performance”; Birley, “The Role of Networks in the Entrepreneurial Process.”

¹²¹ Bengtsson and Hsu, “Ethnic Matching in the U.S. Venture Capital Market.”

¹²² Kelly and Hay, “Deal-Makers”; Nahata, “Venture Capital Reputation and Investment Performance”; Gompers, “Grandstanding in the Venture Capital Industry.”

¹²³ Ewens, Nanda, and Rhodes-Kropf, “Cost of Experimentation and the Evolution of Venture Capital”; Robinson, “Emerging Strategies in the Venture Capital Industry”; Ruhnka and Young, “Some Hypotheses about Risk in Venture Capital Investing.”

Despite the academic interest in VC, few dedicated journals exist. Of the mere two that state VC as an explicit theme, *Venture Capital: An International Journal of Entrepreneurial Finance* and *Journal of Private Equity*, only the latter has any significant volume of articles on the topic. Most VC research appears in journals dedicated to entrepreneurship, such as the *Journal of Business Venturing* and *Entrepreneurship Theory and Practice (ETP)*; or finance, such as *Journal of Finance* and *Journal of Financial Economics*.¹²⁴ The most active site for academic research on the topic is the National Bureau for Economic Research (NBER), although 80 percent of the articles on their website are classified as “working papers” and not peer reviewed. Additionally, there are a healthy number of articles published by legal professionals, although given the general legal focus of most law reviews they do not form any distinct patterns.¹²⁵ Table 0.2 summarizes the counts of papers on VC in some of the major academic journals, along with counts related to additional search terms (discussed below).

Complementing the great number of articles written on the topic, there are three relatively well-known “handbooks” dedicated to academic research on VC, each of which is composed of independently authored chapters, and none of which are

¹²⁴ There are also a healthy stream of articles written by academics appearing in academic magazines such as the *Harvard Business Review* or *Sloan Management Review*. These publications are not peer-reviewed.

¹²⁵ The Law Review Commons (www.lawreviewcommons.com accessed 7/27/2023) counts 1089 articles published on VC in the period 1980-2023. While a few of the articles have appeared in reviews dedicated to corporate, entrepreneurial, and financial law, the vast majority have been published in general interest law reviews.

particularly recent.¹²⁶ There are very few dedicated textbooks in circulation; most are addressed to the broader EF or innovation studies community rather than being focused on VC.¹²⁷ What all share, though, along with the journals and articles above, is an academic audience. Although most scholarly publications market themselves as being for both academics *and* practitioners, the tone and language is emphatically academic, and thus despite the blurry line between academic research on business, finance, law and the industries themselves,¹²⁸ this literature tends to be useful for academics and students rather than practicing VCs and entrepreneurs.¹²⁹

As might be expected then, most of the books written for practitioners tend to be written *by* practitioners, and there is therefore a second body of literature within this first category that, although related to the first in terms of scope (i.e., the VC-entrepreneur relationship), is constituted by different standards of rigor and tone, plus a less methodological, more practical approach to knowledge transmission. Included here are “bestsellers” such as Reid Hoffman’s *Blitzscaling* and *Masters of Scale*, Peter

¹²⁶ Two of these handbooks form part of a series, published in 2007 and 2012. The third, also published in 2012, is a contribution to the “Oxford Handbooks” series and unrelated to the other two. Landström, *Handbook of VC Research 1*; Landström and Mason, *Handbook of VC Research 2*; Cumming, *The Oxford Handbook of Venture Capital*.

¹²⁷ For instance, Metrick and Yasuda, *Venture Capital and the Finance of Innovation*; Lingelbach, *De Gruyter Handbook of Entrepreneurial Finance*.

¹²⁸ It is not at all uncommon for practitioners in the field to teach university classes on the topic of startups and VC. In fact, most courses taught at Stanford or UC Berkeley on these topics are delivered by adjuncts who are practicing attorneys, entrepreneurs, or VCs. In some cases, well-known non-academic books have been written based on these classes. Most notably Peter Thiel’s *Zero to One* and Reid Hoffman’s *Blitzscaling* (both based on variations of CS 183 at Stanford—CS183: How to start a startup; and CS183C: Technology-enabled Blitzscaling, respectively).

¹²⁹ Even a book such as *The Venture Capital Cycle* by Paul Gompers and Josh Lerner, which stands ostensibly as a guide to the process and may therefore have use as a practitioner’s manual, states explicitly that its aim is *not* “to duplicate the guides that explain the intricacies of the venture financing process to practitioners.” Gompers and Lerner, *The Venture Capital Cycle*, 17.

Thiel’s *Zero to One*, Scott Kupor’s *The Secrets of Sand Hill Road*, and Jeffrey Bussgang’s *Mastering the VC Game*, but also books that have a more textbookish format, such as Brad Feld and Jason Mendelson’s *Venture Deals*.¹³⁰ These books often market themselves as offering a guide to esoteric knowledge—a means of navigating all the tricks and obfuscations that prevent entrepreneurs from fulfilling their potential.¹³¹ Also notable are books targeted towards entrepreneurs in specific industries, such as Andrew Romans’ *Masters of Blockchain* and John Doerr’s *Speed and Scale*, written for BlockChain and ClimateTech entrepreneurs, respectively.¹³² The stated purpose here is “closing the knowledge gap” and thus encouraging entrepreneurs to work in these industries—industries within which both these VCs are, of course, active investors. Finally, there are books written by VCs *for* VCs (or would-be VCs), such as Mahendra Ramsinghani’s *The Business of Venture Capital*, and Winter Mead’s *How to Raise a Venture Capital Fund*, where the purpose is to reproduce VC practice by bestowing experiential knowledge onto a new generation.¹³³

Finally, a significant body of written “wisdom” passing from practitioners to practitioners on the topic of VC comes in the form of online blogs. Paul Graham’s writings are legendary, as already mentioned, but so too are the writings of Marc Andreessen at a16z, whose corporate blog (with many contributing authors) is core to

¹³⁰ Hoffman and Yeh, *Blitzscaling*; Thiel and Masters, *Zero to One*; Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*; Bussgang, *Mastering the VC Game*.

¹³¹ The perpetrators of such “tricks” are in some cases the government (as tends to be Thiel’s bugbear) and in other cases VCs themselves. This second category is particularly interesting as the books by Kupor and Feld/Mendelson (all VCs) make much of these perils, often warning entrepreneurs not to “fall” for this or that VC tactic.

¹³² Romans, *Masters of Blockchain*; Doerr, *Speed & Scale*.

¹³³ Ramsinghani, *Business of Venture Capital*; Mead, *How to Raise a Venture Capital Fund*.

their marketing strategy.¹³⁴ Given the close association between VC and modern technology, corporate blogs for VC firms have also become ubiquitous. Some blog posts have even gained notoriety and have entered VC→Entrepreneur folklore, such as Sequoia’s badly-received “Coronavirus: The Black Swan of 2020” announcement, that not only misunderstood “black swan” concept upon which it was based, but also ruthlessly (and self-servingly) encouraged its portfolio firms to pre-emptively cull their respective workforces

¹³⁴ Newcomer, “The Unauthorized Story of Andreessen Horowitz”; Bernard, “Andreessen Horowitz Looks to Launch Opinion Publication as Its Media Ambition Grows.”

Journal Title	+ Search Terms + "social								
	"venture capital"	+ "social"	"societal"	+ "social benefit(s)"	+ "social ill(s)"	+ "social harm"	+ "critique"	+ "critical"	critique"
National Bureau for Economic Research	1096*	725	83	74 / 74	2 / 2	1	105	663	0
Small Business Economics: An Entrepreneurship Journal (SBE)	656	485	85	29 / 29	1 / 1	0	63	353	1
Journal of Business Venturing (JBV)	522	359	65	17 / 17	3 / 3	0	32	364	0
Entrepreneurship Theory and Practice (ETP)	455	336	80	44 / 7	0 / 0	0	25	302	0
Venture Capital: An International Journal of Entrepreneurial Finance	437	270	37	2 / 11	0 / 0	0	15	237	0
The Journal of Finance	271	94	3	2 / 3	0 / 0	0	6	81	0
Journal of Financial Economics	242	82	4	5 / 5	0 / 0	0	5	100	0
Journal of Applied Corporate Finance	194	165	3	1 / 8	0 / 2	0	7	103	0
Journal of Banking and Finance (JBF)	190	63	3	4 / 4	0 / 0	0	6	68	0
International Journal of Entrepreneurship and Innovation Management (IJEIM)	188	140	16	0 / 7	0 / 0	0	3	126	0
Strategic Entrepreneurship Journal (SEJ)	147	124	18	0 / 1	0 / 0	0	10	119	0
Journal of Small Business Management (JSBM)	144	106	11	0 / 1	0 / 0	0	8	85	0
Journal of Management Studies	115	97	19	0 / 3	0 / 0	0	15	94	0
Academy of Management Journal (AMJ)	108	24	6	4 / 9	0 / 0	3	5	17	5^
Journal of Entrepreneurial Finance (JEF)	105	40	3	1 / 1	0 / 0	0	3	44	0
Journal of Management Inquiry	15	14	4	1 / 0	2 / 0	0	3	1815	0
Journal of Private Equity (JPE)	6	0	0	0 / 0	0 / 0	0	0	0	0

*(mostly working papers - 808)

^all events or "pages" -- not articles

Table 0.2 – Popular Journals for Venture Capital Research with Counts Related to Concerns for Critique and Social Impact

(Source: Author)¹³⁵

¹³⁵ Note: where two figures are listed, the second number represents counts for the plural version of the search term. Data accurate as of July 30th, 2023.

Literature II: The Entrepreneurship→Society Relationship

The second category of literature is notable mainly for the marginal or absent role that VC plays within it. Here the focus is on the entrepreneurial process and its social impact, and while VC is not always ignored, it is also never presented as a determining agent, instead appearing as a functional auxiliary.

Some of the most famous work in this category, although focused more on the entrepreneur than society, is that put forward by members of the Austrian School of Economics. Joseph Schumpeter's ideas about the entrepreneur—as the agent responsible for “getting things done” and acting in the “perennial gale” of creative destruction—are well-known and frequently invoked by VCs, and will be a common theme in the work that follows, while Israel Kirzner's work, particularly his “finders-keepers” theory of value, is also of great interest and will be treated at length in Chapter 4.¹³⁶ Understandably, no member of the Austrian School writes directly about VC given the anachronistic relationship between when these authors were active and the evolution of VC as an institutionalized practice, however they remain of interest given their enduring influence on the entrepreneurial process. The same might also be said for the work of Chicago School economist Frank Knight, whose 1920 classic *Risk, Uncertainty, and Profit*—a work frequently cited in VC scholarship (particularly in the

¹³⁶ Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition*; Kirzner, *Discovery, Capitalism, and Distributive Justice*.

context of the entrepreneur)—has been crucial in helping me formulate a theory of value pertaining to VC. I have found his now canonical distinction between risk, which is quantitatively measured, and uncertainty, which is qualitatively measured, to be a critical tool for decoding the various ways that the VC process produces and captures profits from disruptive innovation and the production of novelty.¹³⁷

Additionally, I have consulted more recent works that have attempted to theorize the role of the entrepreneur in society (again with an emphasis on the entrepreneur over society and to the almost complete exclusion of VC), the most important of which is Scott Shane’s *A General Theory of Entrepreneurship*.¹³⁸ While many aspects of Shane’s work have been useful for my own study, especially his treatment of Schumpeter and Kirzner, its major limitation is by design: it treats the entrepreneurial process in *general* terms. Conversely, one of the central arguments I wish to make in the chapters that follow is that VC-backed entrepreneurship is a *special* type of entrepreneurship.

Another genre in the Entrepreneurship→Society category belongs to what are generally tagged as Innovation Studies, the innovation process being closely tied to both entrepreneurship and VC (although the latter is never mentioned). The landmark work in this field is Everett Rogers’ *Diffusion of Innovations*, now in its fifth edition. Rogers’ study, which essentially established the discipline, is notable for two reasons. First, Rogers explicitly links the diffusion of innovation to social change, but in doing

¹³⁷ Knight, *Risk, Uncertainty, and Profit*.

¹³⁸ Shane’s argument builds upon the “individual-opportunity nexus” theory first developed by his advisor, Sankaran Venkataraman. Shane, *A General Theory of Entrepreneurship*.

so does not shy away from highlighting and exploring the possibility of *negative* or “undesirable” consequences arising from this process—in particular, the way change agents tend to ignore them.¹³⁹ Second, he emphasizes a “pro-innovation bias” in diffusion research—that is, a tendency for researchers to assume blindly that “innovations should be diffused and adopted by all members of a social system, that it should be diffused more rapidly, and that the innovation should be neither re-invented nor rejected.”¹⁴⁰ This will be crucial in explaining VC’s celebration as an agent of change. Second, but no less relevant to contemporary entrepreneurship (VC-backed or otherwise), is Clayton Christensen’s classic *The Innovator’s Dilemma*, named by *The Economist* as one of the most important business books ever written.¹⁴¹ Its most important contribution for my own purpose is the conceptual distinction that Christensen makes between radical and disruption innovation, the latter of which is the essence of VC-backed entrepreneurship, and which Christensen convincingly argues is made distinct by its ability to change society’s value demands, rather than simply iterating upon existing expectations of value.

Responding directly to Rogers’ warnings about “pro-innovation” bias and extending this theme into the critical domain is the work of Benoît Godin, which has spawned its own subfield: critical studies of innovation. A sense of this field’s scope can be ascertained from the edited collection *Critical Studies of Innovation*, which has

¹³⁹ Rogers, *Diffusion of Innovations*, xviii, 6, 12, 436.

¹⁴⁰ Rogers, 106–7.

¹⁴¹ “Aiming High,” *The Economist*, June 30, 2011, <https://www.economist.com/books-and-arts/2011/06/30/aiming-high>.

an emphasis on methods of research rather than innovation practice. Godin's own work tends similarly to be concerned with developing a conceptual and intellectual history of innovation rather than with its practical effects on society.¹⁴² Where Godin's research has been useful, however, is in identifying the contingent historical processes that have given public legitimacy to innovation, tethering it inextricably to the public policy obsession with economic growth as a social good ("progress") and—crucially—reducing it to processes of commercialization.¹⁴³

A somewhat different list that also addresses the Entrepreneurship→Society relationship comes under what is generally framed as Science and Technology Studies (STS). This is a massive field, and my interest is solely in those works focused on the social effects of VC-backed entrepreneurial endeavors. This includes, notably, Shoshana Zuboff's work on "surveillance capitalism," and works such as Ruha Benjamin's *Race After Technology*, Cathy O'Neil's *Weapons of Math Destruction*, and Safiya Umoja Noble's *Algorithms of Oppression*, all of which tie the technological innovations pursued by venture-backed entrepreneurial firms to social harm and discord. The major limitation of this literature from the perspective of my own study is its implicit claim that the novelty of particular innovations—digital capitalism and "data as capital" in particular—are rooted in the business models and technological

¹⁴² See, for example, Godin, *The Idea of Technological Innovation*; Godin, *The Invention of Technological Innovation: Languages, Discourses and Ideology in Historical Perspective*; Godin, *Models of Innovation: The History of an Idea*.

¹⁴³ The crucial point to grasp on this point is that the conceptual development of innovation as an *idea* has been concomitant with its reduction to "the application of the invention or new technique in industry." Under capitalist relations of production this amounts to a hegemonic arrangement wherein invention is deemed all but worthless unless it can be mediated by capital. Godin, *The Idea of Technological Innovation*, 70.

innovations of individual firms or groups of firms, most often those familiar names falling under the umbrella of “Big Tech.” By marginalizing the role of VC, these accounts thus fail to understand the underlying modifications that VC has made to capitalist accumulation and that have in turn, I will argue, made possible the particular innovations that these studies focus on in the domains of, say, digital capitalism or biotech. These studies focus, that is, on the manifest content of what is produced by VC rather than its underlying form. In doing so, they miss the systemic causes of their emergence. While such studies are insightful in their own regard, their approach will be severely limited in its capacity to anticipate future trends in the evolution of (venture) capitalist production and accumulation.

Finally, there are biographical histories of entrepreneurs themselves, which trend towards panegyric form but nonetheless do attempt to explore the social impacts of entrepreneurial individuals and groups. The work of Walter Isaacson, who has written biographies of Steve Jobs, Jennifer Doudna, and Elon Musk is particularly noteworthy in this regard for frequent (if passing) references to VC, but much of this literature is irrelevant given its focus on the individuals themselves and not the processes to which they abide. In what follows I hope to speak more generally of the *roles* fulfilled by actors in the VC and entrepreneurial processes, and individuals will only become of empirical interest in Chapter 5 during the discussion of genius and reputation.

Literature III: The VC→Entrepreneurship→Society Relationship

The last category of literature I wish to address is that which attempts to draw a line from VC to society, whether via the entrepreneurial process or not.¹⁴⁴ Of the various texts and genres included in this category, one trend is apparent: when society is invoked it is either in a weak sense (e.g., vague, unsubstantiated) or it is limited the social worlds of economic action (i.e., to business and innovation ecosystems, including geographical clusters).

The most prominent work in this space may be grouped under the heading of location or ecosystem studies, a literature heavily biased—with some justification—towards the Silicon Valley region and culture.¹⁴⁵ Academic literature is in the minority here but tends to be rigorous and systematic. Business-focused sociological studies such as the edited volume *Understanding Silicon Valley*¹⁴⁶ and the inimitable *Regional Advantage* by AnnaLee Saxenian,¹⁴⁷ for instance, despite being rather dated, have been invaluable to my own research, each providing general insights about the relationship between VC and the historical specificity of Silicon Valley (as well as failed or

¹⁴⁴ i.e., VC→Society, or VC→Entrepreneurship→Society

¹⁴⁵ I say “with some justification” because of the historical and cultural importance of Silicon Valley as a model for other regions that wish to emulate its success. As I will argue in Chapter 3, even today Silicon Valley remains the ideal and, to a large extent, the place that VC and its social effects emanate from. While studies of other regions exist, the frame of reference is still often Silicon Valley. See, for example: Casper, *Creating Silicon Valley in Europe : Public Policy Towards New Technology Industries*.

¹⁴⁶ This volume contains only one brief chapter on VC. Kenney and Florida, “Venture Capital in Silicon Valley: Fueling New Firm Formation.”

¹⁴⁷ Saxenian, *Regional Advantage*.

middling attempts to replicate it). Where these works are limited is in their definitional scope of “society,” for each is, by design, far more concerned with social and cultural transformations in the realm of production (i.e., industry) than consumption (or both). Richard A. Walker’s *Pictures of a Gone City*, which barely touches upon the topic of VC, suffers from a similar limitation: here while the analysis extends beyond the society of producers, it does so only to address the social effects impacting residents within the region *in relation to the production process* i.e., how industrial transformation has transformed life in the region. Sharon Zukin’s study, *The Innovation Complex*, which focuses on the New York startup scene, gives apt attention to VC, and relies on a significant amount of original source material in the form of interviews, sadly reads more like a journalistic piece. Only at the very end does Zukin offer anything in the way of general insights, and like Walker’s piece, these conclusions speak to life in the region rather than to society in any general way.¹⁴⁸ Finally, one study that has been exceptionally useful for my own understanding and preparation is Margaret O’Mara’s history of Silicon Valley, *The Code*. Although relatively uncritical in tone, *The Code* gives a prominent role to VC in the development of Silicon Valley along with its broader impact on American economic and social life. It has been an invaluable guide to the historical context within which I frame the emergence and practice of VC.¹⁴⁹

¹⁴⁸ Zukin’s study, if anything, has been instructive as to why structured or semi-structured interviews with VCs are limited for studies seeking to make general observations and conclusions. The idiosyncrasies of individual VCs are highly contextualized in Zukin’s work and thus have limited general value.

¹⁴⁹ O’Mara, *The Code*.

When it comes to cultural studies of Silicon Valley, most titles tend to be non-academic and idiosyncratic.¹⁵⁰ A great number based on individual accounts and experiences, such as *Uncanny Valley* by Emily Wiener, tend to be critical but in a targeted and non-systemic way (i.e., hostile towards individual firms or actors), while others comprised of compendiums of interviews and quotes, such as *Valley of Genius*, drift invariably towards a laudatory tone of self-congratulation.¹⁵¹ There are too many titles in this list to fully enumerate, but none give central place to VC.

A more relevant but less systematic body of literature under this category belongs to what we might refer to as popular and journalistic. It is seemingly quite common for journalists covering Silicon Valley and “big tech” to branch out at some point and write a monograph on some actor, firm, or issue with which they are familiar (long-form investigative journalism articles are also common).¹⁵² The most famous of these is, perhaps, John Carreyrou’s exposé of Theranos, *Bad Blood*,¹⁵³ but comparable works have been published for most other big tech firms, including Uber,¹⁵⁴

¹⁵⁰ One title I am not entirely able to categorize is Krantzler and Krantzler, *Down and Out in Silicon Valley: The High Cost of the High-Tech Dream*. While it is a book written by psychologists, and curiously also about the culture of work in Silicon Valley, it is written in a relatively non-academic style.

¹⁵¹ Titles such as *Valley of the Gods* and *Valley of Genius* are not uncommon. Wolfe, *Valley of the Gods: A Silicon Valley Story*; Fisher, *Valley of Genius: The Uncensored History of Silicon Valley*.

¹⁵² The problem with investigative journalism articles is that they tend to either focus on particular firms or individuals rather than the system—despite promising titles such as “How Venture Capitalists Are Deforming Capitalism.” (a critique of WeWork)—or, when VC should be directly in the firing line, as was the case with *The Guardian*’s 2022 exposé “The Uber Files,” (<https://www.theguardian.com/news/series/uber-files>) a report on the hypergrowth practices at the firm that led to all sorts of nefarious and illegal practices, VC—the *sine qua non* of Uber’s business model—is completely absent from the narrative.

¹⁵³ Carreyrou, *Bad Blood*.

¹⁵⁴ Isaac, *Super Pumped*.

WeWork,¹⁵⁵ and Facebook,¹⁵⁶ all of which account for the role of VC (to a varying degree) but focus primarily on the entrepreneurs and entrepreneurial firms in question. One major exception is Emily Chang’s *Brotopia*, a study of misogyny and patriarchy in the Silicon Valley ecosystem, which although not *centered* on VC at least gives it equal critical attention.¹⁵⁷

Related to the above are journalistic character studies—biographical profiles if you like—of key individuals. These range from critical to celebratory but have been occasionally useful for the following analysis in that they focus on VCs themselves.¹⁵⁸ And although not strictly journalistic, I have also relied on autobiographical texts wherein individuals—VCs and entrepreneurs—describe their own “insider” accounts of the Silicon Valley ecosystem, often placing VCs in the frame. I include here titles such as *High Stakes*, *No Prisoners*, and *Chaos Monkeys*, both of which are personal (and typically polemical) rants proclaiming the authors’ nous and others’ lack of it.¹⁵⁹

Finally, I must dedicate more than a few words to the two main histories of VC in circulation: Tom Nicholas’s *VC: An American History*, and Sebastien Mallaby’s *The Power Law*. Each book is a systematic treatment of VC and—at least in theory—its

¹⁵⁵ Brown and Farrell, *Cult of We*.

¹⁵⁶ Frenkel and Kang, *Ugly Truth*.

¹⁵⁷ Chang, *Brotopia*.

¹⁵⁸ A critical study of Peter Thiel (Chafkin) and a celebratory study of George Doriot (Ante) are representative in this regard. Critical studies have the limitation of anonymous and therefore unverified sourcing, they can therefore descend into gossip-style portraits. Many reviewers of Chafkin’s book, for example, make precisely this point. See Chafkin, *The Contrarian*; Ante, *Creative Capital: George Doriot and the Birth of Venture Capital*.

¹⁵⁹ Ferguson, *High Stakes*; Martinez, *Chaos Monkeys*.

relationship to both entrepreneurial practice and society.¹⁶⁰ Where both offerings are problematic (and instructive) is in their acknowledgement of, and insufficient engagement with, critical analysis and critique.

First, the similarities: both books concede the legitimacy of critical analysis in their introductory chapters but then ignore this critical analysis throughout the main body of the work, revisiting it only briefly in the final chapter. In Nicholas's case, the critical dimension is limited to the admission that "the history of VC examined in this book centers on the activities and achievements of white males," qualified in the following sentence with the excuse that "[t]his mirrors the composition of the American business and financial elite more generally."¹⁶¹ He then dedicates little more than a page and a half (the last two pages of the book) to "addressing" this critique. Unable to believe that VC engages in statistical discrimination despite its "abysmal record on diversity," Nicholas describes this situation as "paradoxical," because "venture capital is based on the premise of financing radical, often revolutionary, change by nonincumbents."¹⁶² His only response is to explain this as a outcome of "homophily"¹⁶³ and to suggest weakly that "the VC industry could benefit by embracing more diverse

¹⁶⁰ Mallaby explicitly states that one key purpose of his book is "to evaluate venture capital's social impact," while Nicholas attempts to place the history and evolution of VC into the broader context of "how capitalism in general has evolved and been embraced in the United States." Mallaby, *The Power Law*, 14; Nicholas, *VC*, 10.

¹⁶¹ Nicholas, *VC*, 10.

¹⁶² The supposed "paradox" or contradiction of what I call VC's "conservative radicalism" will be taken up in chapters 2 and 3. It relates to the dialectical tension underpinning forces of renewal and reproduction in the VC process. Nicholas, 319.

¹⁶³ Homophily is a term taken from psychology. It relates to a behavioral bias whereby people seek out or are attracted to others they perceive to be similar to themselves. Nicholas takes his cue on this point from the more detailed discussion given in Gompers and Wang, "Diversity in Innovation."

talent pools—not as recompense for its past inadequacy ... but to produce attractive returns.”¹⁶⁴ Quite.

Part of Nicholas’ shortsightedness relates to his scoping of the book in terms of VC’s impact on American capitalism. Thus, when it comes to assessing the social or societal impacts of VC, it is precisely within this narrow context:

“[K]eeping the startup sector vibrant is perhaps the most important function the VC industry performs. Venture capitalists generate private value in the form of fund-level returns, but the social value they create surely exceeds that. That social value is equivalent to private value plus all other returns realized from the technological change that venture financing enables. Numerous innovations developed by VC-backed firms ... have moved society forward ... and bring about the creative destruction ... *that is critical to economic growth*”¹⁶⁵ (emphasis added)

Mallaby, rather than sidestepping (as Nicholas does) the fact that “venture capitalists are far from perfect,” attempts to engage head-on with the critique of VCs, quickly dismissing each of the charges laid upon them in turn. Let us examine his defense in detail.

The first point to note is that Mallaby makes a distinction between VCs as “individuals” and VC as a system. Once again, we find the invocation of “paradox” as a way of explaining away structural contradictions:

¹⁶⁴ Nicholas, *VC*, 320.

¹⁶⁵ Nicholas, 316.

“[A] paradox at the heart of venture capital’s impact on society[:] VCs *as individuals* can stumble sideways into lucky fortunes: chance and serendipity and the mere fact of being in the venture game can matter more than diligence or foresight. At the same time, venture capital *as a system* is a formidable engine of progress—more so than is frequently acknowledged.”¹⁶⁶

Mallaby’s first mistake in this quote is to ignore his own admission about the importance of “being in the venture game,” a statement that immediately problematizes the characterization of VCs as “individuals.” Yes, they are individuals in the sense of having individually identifiable names and personal histories, but the plain fact is that VCs are *social* individuals; they are produced and reproduced by the social (and institutional) system upon which they depend. His second, inverse, mistake is to divorce the VC process (what Mallaby refers to as a “system”) from the agents that produce and reproduce it—that is, VC is a system only in so far as it is enacted, and it is systemic only so long as the system’s incentive induce repeat practices. It is thus what Althusser might refer to as a materialist ideology (more on this below),¹⁶⁷ the ideological clue being Mallaby’s invocation of “progress” as an unqualified social good. Given that VC is a system made up of agents that condition and are conditioned *by* that system, who are elevated to success by virtue of that system’s social networks and the power of capital, we must question *who* in society truly experiences progress

¹⁶⁶ Mallaby, *The Power Law*, 132.

¹⁶⁷ This is, of course, something of a misnomer in that for Althusser *all* ideology is material (“ideology has a material existence”). The point is that “ideology always exists in an apparatus and its practice, or practices. This existence is material.” Althusser, *On the Reproduction of Capitalism*, 185; Althusser, “Ideology and Ideological State Apparatuses,” 126.

as a result of the VC model—that is, how ill-qualified notions of progress conceal both old and new class relations.

Understanding Mallaby’s ontological confusion in relation to the agent-structure dynamic of VC is useful in contextualizing his discussion of three key “objections” about VC (also referred to as “doubts” and “complaints”). The first, which Mallaby describes as “least persuasive,” is the claim that VC is better at enriching itself than at producing socially useful businesses. While conceding that “Big Tech has a dark side” and that such companies “are legitimate targets for regulators,” he denies that this is an indictment of VC. During VC’s ephemeral involvement, these companies were, he claims, “helping to create products that were good for consumers; nobody wants to return to a world without e-commerce, personal computers, social media, or web search.” It is only *since* VC has left this scene that these companies have grown so big as to become threatening, and it cannot, he says, “be argued that VCs somehow programmed irresponsibility into these companies ... If anything, the opposite is true.”¹⁶⁸ Mallaby’s myopia in this passage is stunning. Somehow, he is able with a straight face to claim products that were once supposedly “good” have become legitimately problematic and in need of regulation as a result of massive growth that has nothing at all to do with the VC model of investment which is entirely based on hypergrowth as a means of achieving portfolio returns. This is ignoring the fact that the increasing prevalence of unicorns and dragons demonstrates that in many cases VC has not even left the scene when these companies have achieved “big tech” status. The idea

¹⁶⁸ Mallaby, *The Power Law*, 380.

that when a VC exits their investment this constitutes an ethical “breakpoint” is thus, in the first place, empirically untenable. In the second place, it is logically inconsistent to claim that VC has been the essential ingredient facilitating the very existence of these companies—companies that have all grown massive in size both during and after VC involvement—but at the same time has not imprinted any kind of business ethos upon them. That these companies have grown unwieldy, gained unprecedented social and political power, and have “a dark side,” is undoubtedly connected to their status as formerly (or currently) VC-backed companies. The VC process itself has determined this future.

Finally, the notion that “nobody” would want to go back to a world without VC-backed innovations is deeply problematic. Aside from the fact this sweeping generalization takes no account of those resisting the encroachment of corporate giants (big tech or otherwise) upon social life (the same people calling for the regulations that Mallaby concedes are legitimate), it depends on a path-dependent view of social reality in which these companies and their products have become so massive and integral to social life that they have taken upon themselves the character of social *necessity*. When social change has become a *fait accompli* at the scale of world monopoly (e.g., Google, Facebook, etc.), how could we possibly imagine a reversal? Historically contingent manifestations of social necessity have become our social reality, and have thus erased alternatives from the social imagination. This is the crux of how value has been transformed under the VC relationship with society, and it is the central thesis in what follows.

The second “broad area of complaint” Mallaby addresses is the same as that acknowledged by Nicholas—that VC is “dominated by white men drawn from a narrow collection of elite colleges.” This, he says, is far more persuasive—so persuasive he dedicates a whole *one* page to the “complaint,” as did Nicholas. And thus, also in step with Nicholas, Mallaby simply acknowledges the problem and moves on, offering no critical thoughts and attributing it to a version of homophily that he cutely calls “mirror-tocracy.”¹⁶⁹ But problems of scale and social necessity once again come into play. As already noted, VC is an industry that spawns industries based on innovations—innovations that constitute social change. But given the hypergrowth basis of VC investments, we are speaking here of social change on a world scale. The problems facing white men, educated at a small group of elite colleges, mostly plying their trade in a narrow corner of Northern California, are simply not the problems facing everyone else in the world. Seemingly no-one denies that “mirror-tocracy” and “homophily” are problems in VC, but this suggests the problems that VCs see as important and worthy of investment will be the problems identified by entrepreneurs with similar identities and worldviews. This can only manifest itself as a homogenization of social life and experience, as a deworlding trend unsurpassed in the history of capitalism and the world. Diversity is therefore not where the analysis of VC should end, but where it should *begin*.

Mallaby’s final engagement with critical analysis takes on the argument that VC “encourages out- of-control disrupters with no regard for those who get disrupted.”

¹⁶⁹ Mallaby, 384–85.

His strategy of rebuttal is to reduce this charge to claims against “companies such as Uber” who have used the “blitzscaling” strategy out of “obligation more than choice.”¹⁷⁰ The problem with this line of argument is it ignores the fact it is VC itself that produces the obligation. By structuring investments in a portfolio with the demand of minimal fund-level returns, each individual firm is obligated to be in pursuit of “winner-takes-all” markets where it is do or die. Thus indeed “blitzscaling” becomes an obligation, but only in the context of VC-backed firms.

Next, undermining his earlier point about the disconnect between the behaviors of VC-backed firms and those same firms in their “big tech” afterlife, Mallaby points out that VC is only suitable for some types of firms and entrepreneurs—namely, “the ambitious minority that wants to take the risk of growing fast,”¹⁷¹ inadvertently implying that VC is only interested in the kinds of companies that can become potentially problematic behemoths. Given the governance-finance duality that characterizes and distinguishes the VC process—and Mallaby’s own admission that “if the objective of entrepreneurship is personal autonomy, founders must understand that venture capital comes with conditions”¹⁷²—we can infer that while VC certainly pursues companies *already* oriented towards hypergrowth, it will also strategically nudge (or force) them in that direction should the founders be failing to win at (literally) all costs. Thus VC-backed firms are either ready-made to be the kind of companies

¹⁷⁰ Mallaby, 385.

¹⁷¹ Mallaby, 386.

¹⁷² Mallaby, 386.

Mallaby says VC bears no responsibility for, or they are molded to be them (or, of course, they simply fail and cease to exist).

Building upon these already problematic points, Mallaby then descends into further confusion. Conceding that it is indeed problematic “if” the “dislocation” caused by disruptive companies stems from technology finance (i.e., VC) rather than technology,¹⁷³ and that “[w]hen venture capitalists pour money into blitzscaling, the result is a pack of unicorns that can sell their products below cost, disrupting incumbents not necessarily because they are technologically superior but rather because they are subsidized by venture dollars,” he attempts to make an argument about the moral and political justification for market competition. “If,” he says, “it could be shown that subsidized unicorns are elbowing aside more efficient incumbents, then blitzscaling might be harming the overall efficiency of the economy.” But Mallaby denies this is the case in most instances, asserting instead that incumbents benefit so much from “economies of scale, strong brands, and government regulations they have helped to shape,” that blitzscaling “insurgents” represent a leveling, rather than distorting economic force. Of course, the reality here is that VC is at best helping to simply replace one system of market distortions with another, and at worst—as Mallaby fully admits is “theoretically” possible—VC is “overcorrecting” the problem.¹⁷⁴

¹⁷³ As I have already noted, this reduction of VC to “technology” is erroneous. VC funds innovative companies which are often, but not always, “technology” companies. Only a capacious definition of technology (including e.g. technologies of practice, technologies of the self, etc.) would be an appropriate characterization, but Mallaby is definitely not using the term in this context.

¹⁷⁴ Mallaby makes a similar argument to Nicholas here by claiming that “no economic system is perfectly free from distortions.” Whereas Nicholas says the diversity problem in VC simply “mirrors the composition of the American business and financial elite more generally,” Mallaby is apparently saying VCs attempt to manipulate the free-market economy is no worse than what incumbents already

This leads to his final point, and the complete collapse of rationality. Let me quote Mallaby at length:

“The goal of the blitzscaler is to establish market power—something approaching monopoly. This can harm society in three ways: overmighty companies may underpay suppliers and workers, overcharge consumers, and stifle innovation. But the right answer to this problem is to regulate monopolies when they arise, not punish venture capital. After all, venture capital is all about disrupting entrenched corporate power: it is the enemy of monopoly.”¹⁷⁵

Let us break this down by pointing out that the opening sentence acknowledges the goal of a VC-backed firm is to achieve “something approaching monopoly” and ends with the claim that VC is “the enemy of monopoly.” A simple contradiction. Consider the next sentence: “The challenge to Amazon comes from younger VC-backed firms.” Firstly, Amazon is a retail monopoly with no precedent¹⁷⁶ that was facilitated into being by VC money and the blitzscaling method.¹⁷⁷ It was once precisely one of those “younger VC-backed firms.” Secondly, there *are* no genuine challenges to Amazon.

do. In both cases there is a puerile retort amounting to “they are all doing it as well, we’re just following them, don’t blame us!” In a similar vein, one VC I spoke to who asked to remain anonymous attempted to justify VC’s lack of gender diversity by comparing himself to a plumber—“we don’t get after the plumbing profession for having so few women, so why spotlight VC?” Regardless of how we assess these arguments, two wrongs most definitely make a right. Mallaby, *The Power Law*, 387.

¹⁷⁵ Mallaby, 388.

¹⁷⁶ For a detailed discussion of how Amazon gets away with being a “legal” monopoly, see legal scholar Lena Khan’s excellent article on the topic. Khan has, since writing this article, been appointed head of the Federal Trade Commission and is responsible for going after just these kinds of monopolies. See Khan, “Amazon’s Antitrust Paradox.”

¹⁷⁷ Amazon internalized the blitzscaling strategy from its VC days into its post-VC life and long-term strategy. One campaign, based on precisely the same ethos, was referred to as “The Gazelle Project.” See Khan, 714.

Parts of its business, such as streaming media, may have noteworthy competitors, but for various reasons Amazon is simply irrepressible in its overall market dominance of retail and cloud services (Amazon Web Services, or AWS). Thus while it is all fine saying VC enables the disrupters who will challenge monopolist thrones, if each new monopoly becomes ever more powerful—and is schooled in and self-aware of the disruption threat as a result of their own VC experience—the ladder will not just be kicked away, but burned and disintegrated as the heavenly domains of the new monopolists become unreachable to any mere mortal that may subsequently appear. The second point that must be made (briefly, for it will be discussed further in Chapter 2), is that the primary mode of exit for VC backed firms is *not* the IPO that all VC-backed monopolies pass through, but rather exit via mergers and acquisitions (M&A).¹⁷⁸ That is, while rare spectacular public offerings can certainly help VCs achieve their required investment goals, the bread and butter of achieving fund-level returns actually comes from selling VC-backed startups to established firms—these almost invariably being larger firms working towards (or attempting to defend) monopoly status.¹⁷⁹ There is no hiding from the fact that VC is responsible for all the things Mallaby suggests it is either opposed to or not responsible for.

¹⁷⁸ M&A makes up, on average, 50 percent of total exits, with IPOs around 15 percent, and the rest failures. If measuring only successful exits, the M&A percentage rises to an average of around 75 percent. We will explore why this is so in Chapter 2. See Harrison, “M&A and CVC in an Economic Downturn”; Tamaseb, *Super Founders*, 236.

¹⁷⁹ Google, for example, to ensure its monopoly status, has been shown to acquire smaller companies at a rate approximating one per week. The importance of VC in this scenario is also evidenced by the NVCA’s vehement objection to antitrust legislation opposing such practices, arguing essentially that monopolies are good for VC. See Rao, “Eric Schmidt”; Farrah, “Don’t Hurt Startups When Reining in Big Tech.”

VC and Society: A Critical Lacuna

Mallaby's deeply flawed attempt at an engagement with critique is perhaps the most comprehensive I have found in over three years of research on VC, and it spans a mere eight pages. Aside from a small handful of articles,¹⁸⁰ critical engagement with VC from within the academic business, finance, and law literature has been practically non-existent. Taking a "critical" approach to the topic, such as that self-promoted in the *Handbook of Venture Capital Research: Volume 2*,¹⁸¹ is limited to criticizing business inefficiencies, and is thus confined to benign attempts at improving economic outcomes pertaining to the VC→Entrepreneur relationship. To underline this point, Table 0.2 measures the number of articles appearing in common journals for VC research against additional search terms such as "social" and "societal" (typically high counts), "social benefits" (a small but notable count), "social ills" and "social harm" (barely any), and

¹⁸⁰ The two recent examples in this list are both under five pages in length. The only one of any considerable length (and treatment) is Baumol's, which was published in 1990, before the dotcom bubble and many of the present-day VC innovations that characterize the VC process. See Lam and Seidel, "Hypergrowth Exit Mindset"; Shepherd, "Researching the Dark Side, Downside, and Destructive Side of Entrepreneurship: It Is the Compassionate Thing to Do!"; Baumol, "Entrepreneurship: Productive, Unproductive, and Destructive."

¹⁸¹ The second handbook in the series seemingly promotes this "critical" approach as a corrective to the first volume. But of course, it is nothing of the sort. Its idea of a "critical discussion" relates to "governance structures, competencies, performance and the applicability of the US business model of venture capital to other countries." See Landström and Mason, *Handbook of VC Research 2*, 2:3.

finally “social critique” (one erroneous return).¹⁸² Academic research on VC does not avoid the topic of social impacts as much as it avoids their critical appraisal.

Remarkably, this critical lacuna also extends into the domain of social scientific and humanities-oriented research. Here entrepreneurship (broadly defined) dominates the critical conversation. Lena Khan’s excellent article *Amazon’s Antitrust Paradox* is perhaps the closest thing we have to a comprehensive—political-economic, legal, and social—critique, but it is focused on the entrepreneurial firm, rather than its VC origins.¹⁸³ The encouragingly titled *Bit Tyrants: A Political Economy of Silicon Valley* suffers from the same parochialism—the word “venture” appearing only three times in passing throughout the whole book.¹⁸⁴ Critical Finance Studies, which rarely shies away from critically examining the social impacts of the financialization of everyday life,¹⁸⁵ is focused almost exclusively on the type of finance practiced by Wall Street rather than Sand Hill Road—a fact exemplified by Karen Ho’s critical ethnography of Wall Street, *Liquidated*, which in style and tone (but not substance) forms one of many

¹⁸² The term “social critique” appears in that article not in its main body or argument, but as part of the title of one of its references—Pierre Bourdieu’s *Social Critique of Taste*. See Honig, Lerner, and Raban, “Social Capital and the Linkages of High-Tech Companies to the Military Defense System.”

¹⁸³ That said, Khan makes numerous observations about the (public) investor financial interests and gains that have been crucial to the formation of my own argument. Most notably, she argues that Amazon (and companies like it) pursue market share at the expense of profits, and in doing so are able to build monopolies that investors recognize as such, but the legal system cannot. The Supreme Court is dominated by a Chicago School orthodoxy stating that corporations only commit antitrust violations when they harm consumers through exorbitant pricing, and because these companies run at low- or non-profitability, substituting such profitability for growth (precisely the VC model, which companies like Amazon continued to follow after the end of their VC relationship) they are able to keep prices low, which in turn not only encourages greater consumer adoption (and growth) but also further investment and growth in the value of corporate equity. See Khan, “Amazon’s Antitrust Paradox.”

¹⁸⁴ Larson, *Bit Tyrants*.

¹⁸⁵ Randy Martin even wrote a book with a variation of this phrase as its title. See Martin, *Financialization of Daily Life*.

models for my own work.¹⁸⁶ The problem with extrapolating insights from Wall Street-type finance is that it lacks the governance component that makes VC distinctive and qualitatively different in both its influence and outcomes; it can therefore only offer insights to one half part of the puzzle.

Recent literature on the Asset Economy¹⁸⁷ and Asset Management (e.g., Private Equity)¹⁸⁸ forms some close parallels (particularly the latter), but it is in itself not typically focused on VC and concentrates rather on different classes of assets such as real estate and public infrastructures. However, there have been some noteworthy attempts to operationalize the asset economy literature and its concomitant contributions to value theory in the context of VC. The work of Kean Birch¹⁸⁹ and Franziska Cooiman,¹⁹⁰ for example, employ variations of this approach and are promisingly critical in tone, however for various reasons their analysis tends to stay within the bounds of political economy and is useful only to the extent of demonstrating the shortcomings and contradictions within this context—the implications of their critique do not extend into the broader social and political domain.¹⁹¹ The only other

¹⁸⁶ A web search on the “Finance and Society Network” page (<https://financeandsocietynetwork.org/>) for “venture capital” offers only a single return, Robyn Klinger-Vidra’s book *The Venture Capital State*, which will be mentioned in this introduction and is discussed in Chapter 3. The network’s associated journal, *Finance and Society*, provides three returns, but only one of these is directly related to VC. The article, by Dave Elder-Vass, is a work of political-economy focused primarily on economic, and not social outcomes. See Ho, *Liquidated*; Klinger-Vidra, *The Venture Capital State: The Silicon Valley Model in East Asia*; Elder-Vass, “Assets Need Audiences.”

¹⁸⁷ Adkins, Cooper, and Konings, *The Asset Economy*.

¹⁸⁸ Christophers, *Our Lives in Their Portfolios: Why Asset Managers Own the World*.

¹⁸⁹ Birch, “Reflexive Expectations in Innovation Financing.”

¹⁹⁰ Cooiman, “Imprinting the Economy.”

¹⁹¹ Franziska Cooiman’s publications are part of her forthcoming doctoral dissertation on the topic of VC. It is possible that her broader work will cover some of these areas, though it is not yet available for consumption.

social scientist I am aware of whose work is dedicated to the study of VC (aside from Franziska Cooiman) is the anthropologist Johannes Lenhard. While Lenhard's work on Environmental, Social, and Corporate Governance (ESG)¹⁹² is a step in the right direction, addressing urgent topics such as diversity, it is generally uncritical of the system itself, and appears instead as the type of "critical" work already prevailing in the general "VC→Entrepreneur" literature.

Critical or not, much of the above literature suffers from the same limitation: it is engaged with what Robert Cox famously referred to as "problem solving theory."¹⁹³ In Cox's definition, a problem solving theory takes the world as it finds it. It attempts to solve problems arising in discrete parts of the complex whole with the aim of nothing more than smoothing out the functioning of the whole (of papering over the contradictory cracks). By unquestioningly assuming the whole as a given, it adopts a conservative, value-laden, and ideological approach that serves to do no more than preserve and strengthen the status quo. The alternative, "critical theory," is an approach that takes an outside perspective on the world and questions how it is that this world came about in the first place, and whether normative alternatives should be considered. It is directed at the whole rather than its discrete parts and is radical in that it seeks change as opposed to stasis. Critical theory subsumes problem solving theories within its own frame of analysis and renders them as distinct ideologies.

¹⁹² Brodnock and Lenhard, *Better Venture*.

¹⁹³ Cox, "Social Forces," 128–30.

Only in the “Entrepreneurship→Society” category is anything approximating critical theory pursued, and as noted this literature almost universally sidelines VC. What is required is a critical theory of VC, one that will treat the musings of each individual category and genre of literature as part of a complex whole, situating VC within both the broader context of the capitalist system as well as in its relation to both the entrepreneurial process and *it’s* broader social, political, and cultural outcomes. This means integrating the insights of history, STS, innovation studies, cultural studies, sociology, philosophy, political theory, and political economy into a coherent whole along *with* the various textual resources related to VC (scholarship, practitioners manuals, blogs, and all else). VC Scholars already acknowledge that research on VC, reflecting on the nature of its *practice*, is and must be multidisciplinary,¹⁹⁴ so why stop at business, finance, and law?¹⁹⁵

The critical theoretical approach provides an answer by framing individual attempts to address VC as *ideological*. Scholars and practitioners of VC of course have an interest in sustaining their narrow fields of engagement; as “insiders” they are ideologically tethered to perpetuating both VC and the system that sustains it—it is

¹⁹⁴ “As the venture capital industry grew ... interest among scholars increased. A main point of departure was that venture capital concerned ‘building businesses’ and no single discipline could claim to possess sufficient knowledge to provide a complete understanding of this process.” Landström, “Pioneers in Venture Capital Research,” 17.

¹⁹⁵ Even well-known scholars of VC have long acknowledged the need for social science analyses of VC: “I would like to see more room for researchers who study venture capital investments as a sociological phenomenon ... more attention to understanding how networks of venture capitalists make decisions ... maybe to see the venture community as a neural net—a bunch of nodes making decisions and being aware of the decisions that are made by others.” Ian MacMillan, interviewed in Murray, “Venture Capital and Government Policy,” 30.

after all their *raison d'être*¹⁹⁶ And yet their frequent invocation of “paradox” is only comprehensible as a consequence of *excluding* the perspective of the whole and therefore of explanations derived from what are otherwise treated as heterogeneous, and thus irrelevant, domains of action and inquiry (e.g., history, philosophy, social theory, and so on). Their engagements make sense—paradoxes and all—only within the status quo.

Of course, there may be a sense that systemic analysis is not necessary or even possible—when recounting my project to faculty colleagues I have heard doubts such as that VC is “not the kind of site that sounds especially concrete” or that it constitutes “only a very small part of the capitalist system.” But it is in precisely the ideological presuppositions of VC’s prevailing thought and practice that systemic analysis can and must take place. Treating these presuppositions as an ideological *result* rather than as a point of departure, we can reveal the “determinate conditions” of VC that problem solving theorists treat in de-historicized, and universal terms (e.g., economic growth as progress).¹⁹⁷ Thus the material for a (critical theoretical) systemic analysis is freely available if we can go beyond the “actual” to penetrate the “real.” Or, as Alex Callinicos puts it, “[w]e obtain knowledge of the world by going beyond the actual to isolate

¹⁹⁶ Thus, for instance, Nicholas’s claim that VC’s diversity problems only reflect the wider context of American finance and business, or Mallaby’s claim that VC’s distortion of markets only reflects the inherent broader imperfections of a market economy. Nicholas, *VC*, 10; Mallaby, *The Power Law*, 387.

¹⁹⁷ Stuart Hall observes that this is precisely how Marx frames his own task and method in the 1857 introduction to the *Grundrisse*. The only difference here is that while Marx is referring to the ideological presuppositions of *political economy*’s thought and practice, I am referring to VC. See Hall, “Marx’s Notes on Method: A ‘Reading’ of the ‘1857 Introduction,’” 21.

particular mechanisms that help to make the world the way it is.”¹⁹⁸ This is the task ahead.

But then comes the question of necessity. Is a critical theory even required? Yes, and here is why. No-one, not even Mallaby or Nicholas, can argue away the diversity problem, so instead they simply avoid the issue. In two handbooks on VC research spanning almost 700 pages, there is barely a single reference to diversity. The “paradox” here is there is copious evidence to suggest that, putting aside any ethical or social reasoning,¹⁹⁹ diverse teams of VCs and entrepreneurs improve economic and financial outcomes.²⁰⁰ Relatedly, there is the issue of VC aiding the centralization and monopolization of capital on a global scale, the creation and support of mega-corporations with unprecedented power over society and its politics²⁰¹ who are able to reshape and rewrite the plan of world²⁰² while—as per the diversity issue—mostly excluding all but white male straight cisgender Western elites from having any authorial role in the process. When we consider the obvious *cultural* impact of the

¹⁹⁸ Callinicos, *Making History*, xxx–xxxi.

¹⁹⁹ i.e. That women (and others) have been systematically excluded from the greatest wealth creation in the history of the world and denied a voice in the re-molding of global culture. Chang, *Brotopia*, 14.

²⁰⁰ The evidence on this point is overwhelming. So much so that it has been suggested VCs who fail to invest in diverse teams are not fulfilling their fiduciary duty of care. See Gompers and Kovvali, “The Other Diversity Dividend”; West River Group, “Power of Diversity”; Nathan and Lee, “Cultural Diversity, Innovation, and Entrepreneurship”; Stone, “Diversity As Superpower: The (Well-Known) Data Against Homogeneous Teams In Venture Capital”; Rock and Grant, “Why Diverse Teams Are Smarter.”

²⁰¹ For four reasons: 1) growing personal wealth; 2) direction of companies with enormous structural power over governments by virtue of their ability to direct investment; 3) the ubiquity of technology products as a part of social life (including the ability to influence and mobilize public); 4) the employment of millions of Americans. Such is the political influence of the corporate products of VC backing that they have come to be described as a “political ATM.” See Broockman, Ferenstein, and Malhotra, “Predispositions and the Political Behavior of American Economic Elites,” 213.

²⁰² Thiel and Masters, *Zero to One*, 2; Hoffman and Yeh, *Blitzscaling*, 283.

products produced by these mega-corporations, from streaming video and music services to social media to smart home products (including doorbell cameras) to predictive policing tools to grocery pickup and delivery, and when we compound that with (a) a lack of alternatives due to monopolies via speed and scale and (b) an extreme lack of diversity throughout the financing and production pipeline, you end up with the manipulation of culture—our systems of meaning—by socio-economic processes of privilege, class, and power. While this is not a new phenomenon,²⁰³ there is most definitely something new about the scale, intensity, and *form* this has taken under the VC process—not least of all the stated aim of avoiding commodification at all costs in favor of *productification*.²⁰⁴ VC is a proliferating social form, with attempts to replicate it and its related functions in various “clusters” around the globe, precisely so as to reproduce all the effects enumerated above. And *despite this*, VC is still largely ignored by state policy and governance (unless it is being promoted via the deregulation and active *removal* of state policies and governance).²⁰⁵ How is this to be explained?

²⁰³ Critical theorists since at least the Frankfurt School have been ringing alarm bells about the commodification of culture. One notably seminal contribution is “The Culture Industry: Enlightenment as Mass Deception” in Horkheimer and Adorno, *Dialectic of Enlightenment*, 94–137.

²⁰⁴ Commodities invite competition, products supposedly negate it; commodities are replicable based on shared knowledge, products are the (supposedly inimitable) coded advantage of a social, economic, and intellectual elite.

²⁰⁵ The Security and Exchanges Commission (SEC), for example, have, in the words of one prominent PE and VC news outlet “never really paid much attention to venture capital, which perhaps explains its clumsy efforts.” Despite much talk of regulators coming after VC, nothing has so far come to fruition. As with almost any of the other attempts enumerated in this introduction, critical scrutiny of VC in government, when it appears, is directed *not* at VC itself, but at the industries it spawns. A congressional hearing entitled ““Combating Tech Bro Culture: Understanding Obstacles to Investments in Diverse-Owned Fintechs” is a case in point. The memo for this hearing deems the role of VC so crucial to the FinTech industry that it dedicates a whole “overview” section to explaining what it is and why it is problematic (focusing heavily on the diversity issue). Yet the hearing itself, while pointing all fingers *at* VC, was not actually about VC, but rather about outcomes in the FinTech industry. Primark, “Axios Pro Rata”; “June 30, 2022, Task Force on Financial Technology Hearing

III. TOWARDS A SOCIAL CRITIQUE OF VENTURE CAPITAL

My goal in the work that follows, in response to the questions and seeming paradoxes raised above, is to perform a *social* critique of VC, a critique that takes account of VC's transitive relationship to society via entrepreneurial production. That is, the aim of what I am calling a *social* critique of VC is to critically and holistically analyze the VC-Entrepreneurship-Society relationship along with its historical effects. The end product of this critique, if I am successful, will be nothing less than a critical theory of VC in the vein of Cox's distinction. This, I believe, will be a unique contribution to the literature on VC and VC-backed entrepreneurship.

Following Marx, the strategy of critique as I am framing it entails three tasks: (1) an immanent critical review of the contemporary discourses and theories pertaining to VC (including the claims of VCs themselves, entrepreneurs, the mainstream press, academics, politicians, and other commentators). The purpose of this task is to identify contradictions and inconsistencies that may point to deeper insights; (2) a reconstruction of the way that VC works (based on the insights obtained through the first task), including a description of its underlying laws of motion. My aim is to provide a more compelling account of reality than the discourses and theories studied

Entitled, 'Combatting Tech Bro Culture: Understanding Obstacles to Investments in Diverse-Owned Fintechs.'

in the first task; (3) a criticism of VC itself as a confluence of thought and action—as a distinct materialist ideology operating within the broader system of global capitalism. The purpose of the final task is to offer a critical theory that will *replace* prevailing theories pertaining to VC, and that can account for a fuller description of VC’s role in determining the range of human possibilities and limitations.²⁰⁶

To begin such a critique, however, demands that we first understand the nature of the problem. Only by doing so may we guide our attention to VC’s real and not merely “actual” relationship to society. Let us examine several features of VC and VC-backed scholarship that present difficulties for critical theory.

1. A Positivist and Quantitative Bias

When I asked Strebulaev why his co-authored paper on the economic impacts of VC excluded social impacts, his answer was simple: “they are not measurable.”²⁰⁷ What this statement reveals is not so much the impossibility of assessing social impacts as it does a methodological bias in VC scholarship towards positivist, quantitative analysis. Most are trained in economics and finance, both of which are positivist and quantitative fields, thus this is not surprising.²⁰⁸ However, what makes this situation puzzling is that, for one, VC scholars and practitioners often proclaim VC’s social benefits (even Strebulaev), which, if being “measured” is the only way they can be

²⁰⁶ I am indebted to the work of Stillman for this recapitulation of Marx’s method of critique. See Peter G. Stillman, “Marx’s Enterprise of Critique,” *Nomos* 26 (1983): 252–76.

²⁰⁷ Interview with the author, Stanford: August 24, 2022.

²⁰⁸ Even law school and business school focus on the methodologies of economics and finance for subjects related to investment.

known and is the one thing they cannot be, means they are proclaiming benefits they have absolutely no knowledge about. They “tell” rather than “show” these benefits, and when they want to show benefits do so in terms of economic and financial measures, which is circular and self-defeating to the question of social impact.²⁰⁹ For two, there simply *are* measures available that we can use—how about, for instance, the sudden decrease in psychological well-being among teens and adolescents correlating the proliferation of VC-backed social media?²¹⁰ For three, VC is widely regarded to be an “art” rather than a science, a practice dependent on qualitative rather than quantitative modes of action.²¹¹ One argument is that because VCs shop in risk capital, and the risks they take are often based on Knightian uncertainty,²¹² their practice cannot be reduced to statistical probabilities. This manifests as a professional disdain for complex mathematical models, and a preference for old-fashioned spreadsheets and “shoot from

²⁰⁹ VC John Doerr in a famous book about “OKRs” (Objectives and Key Results – a widely adopted strategic method for startups and high-growth businesses) acknowledges the faults of this approach (which he essentially invented). He notes that because of their narrow focus, they can tend to articulate goals in a way that leads to systemic problems such as unethical behavior, increased risk taking, decreased cooperation, and decreased motivation. More important, however, is the fact that because it can be impossible to measure the “social goodness” of an outcome, it becomes difficult to factor it into the metric being optimized. Thus, social benefits (or harms) are simply excluded from the strategic model of many startups (VC-backed or not). Reich, Sahami, and Weinstein, *System Error: Where Big Tech Went Wrong and What We Can Do About It*, 34–35.

²¹⁰ See Twenge, Martin, and Campbell.

²¹¹ Lenhard, “Towards Fully Automated Investing?”; Macmillan, Zemmann, and Subbanarasimha, “Criteria Distinguishing Successful from Unsuccessful Ventures in the Venture Screening Process,” 129; Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 42, 119.

²¹² Knightian uncertainty here refers to the compounding effects of risk uncertainty in relation to people (untried founders; technically gifted but lacking business acumen) technology (new or untested and uncommercialized), and the market (does it yet exist). Together these produce a level of uncertainty that cannot be measured by probability, a *radical* unknown that some refer to as “hyper uncertainty.” This effectively leads to the nullification of quantitative approaches of analysis. See Murray, “Venture Capital and Government Policy,” 120; Knight, *Risk, Uncertainty, and Profit*.

the hip” instincts.²¹³ So why privilege quantitative methods to the exclusion of qualitative methods for a practice that privileges qualitative methods to the exclusion of quantitative methods? As my teachers have often insisted—choose a method that is most suitable to the inquiry at hand.

In the academic context, the problem may be symptomatic of a tight job market. As one VC scholar put it:

“[Y]ou need to get published ... to obtain tenure ... [t]herefore, most ... will work on more incremental studies, extending knowledge with a few minor variations, with greater chance of getting published ... journals are more interested in statistical, robust results than in relevance to society ... research easily becomes trivial.”²¹⁴

How else can we read this but as an institutionalized incentive to engage in problem solving as opposed to critical theory?

2. *Private Data*

A second problem, one compounded by the first, pertains to the difficulty of obtaining reliable data about private firms, be they VC firms or the portfolio firms they invest in.

The fact is that Private Equity means private data, and this makes VC difficult to

²¹³ “[DCF] analysis makes sense for mature companies that have more predictable future financial results ... it’s really tough to do this for an early-stage startup given that financial forecasts for the business are probably not worth more than the Excel spreadsheet on which they were created. VCs often joke that ‘we can make the spreadsheets say whatever we want.’” “Whether we [VCs] like to admit it or not, valuation is more art than science ... ‘deal heat’ can drive VCs to pay more than they might otherwise.” Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 42, 119, 151.

²¹⁴ Ian MacMillan, interviewed in Murray, “Venture Capital and Government Policy,” 31.

study.²¹⁵ However, as much as this is a problem, it is also revealing, for it is *precisely* the privacy of these firms that gives them an advantage—it is one of the reasons firms are staying private for longer: public scrutiny and oversight means certain strategies private firms can get away with may be frowned upon (or subject to litigation) when cast into the public domain.²¹⁶ Moreover, the firms providing public data about private equity financing, such as Pitchbook, Crunchbase, and CB Insights, each have a vested interest in supporting and sustaining that system—this is the purpose of their businesses. In practice, this means that what we *can* see is only what they *want* us to see.

One phenomenon this gives rise to is so-called “survivorship bias,” whereby fund- or portfolio-level data only accounts for the firms that survived financing and failures are all but scrapped from the record. The result is that only the upside gets recorded; only successes are counted. Putting aside the “data” for a second, this has the knock-on effect of leading researchers to those who have benefited from the VC system and are therefore likely to proclaim its virtues over its limitations (“it worked for me!”).²¹⁷ Given that VC investment is based on the pareto principle, whereby 80 percent or more of all investments are expected to fail and 20 percent or less make up

²¹⁵ Note that the Gornall/Strebulaev study assesses the impact of *public* not private firms. The problem is particularly acute with Angel financing. Also see fn1 in Amit, Brander, and Zott, “Why Do Venture Capital Firms Exist? Theory and Canadian Evidence,” 442; Kelly, “Business Angel Research: The Road Traveled and the Journey Ahead.”

²¹⁶ Staying private for longer is not simply a choice, however, but is highly dependent on the availability of private capital. In the period since the 2008 Global Financial Crisis (GFC), it has certainly been the case that private capital has been in plentiful supply.

²¹⁷ “Yes, disruption produces losers as well as winners ... keep in mind those who extoll the virtues of disruption tend to be—coincidentally enough—the ones in the winner’s circle” Hoffman and Yeh, *Blitzscaling*, 13.

the majority of fund-level returns, this suggests massive incentives to misrepresent not only data but anecdotal sentiments from experienced (and successful) practitioners about the process.

3. *A Victor's History*

We have, then, the classic political problem of history being written by those who emerge victorious from it. This helps explain why proclamations in the VC literature pertaining to its social effects invariably relate to vague or unstated social *benefits*; the activities of VCs are retroactively written to present VC as a force for social good.²¹⁸

In a curious parallel and complement to survivorship bias, the social effects of VC are limited to its supposed success stories, which are based solely on those phenomena that society has already accepted as part of its function, and therefore as a “good.” Hence why isolated criticisms of VC and VCs are both commonplace in public discourse and the popular press, and at the same time rarely “stick” and un-systemic in their aims.²¹⁹

The narrative doesn’t hold with any global coherence because parts of the story are

²¹⁸ See, for example, Horowitz, “The State Of Venture Capital: The Pendulum Swings.” “Venture capital is fundamentally about recognizing the need and opportunity for addressing change. It can be a force for good to address a wide range of challenges from healthcare to cybersecurity to climate change. It can reshape existing industries and create new ones that don’t exist today. It is strategic to our global competitiveness and an irrefutable engine for job creation and economic prosperity.”

²¹⁹ Compare, for example, the lack of scrutiny given to Blake Masters and JD Vance for their business backgrounds working in VC compared to, say, Mitt Romney. VC creates an additional level of insulation and, even when political opponents do swipe at it, the public don’t seem to care. When Rep. Tim Ryan tried to make venture capital an issue, including via an ad labelling Vance a “San Francisco vulture capitalist,” details of the critique (that Vance had invested in China and Chinese Companies) just wouldn’t stick. In part, this is the power of VC: the obscurity of its investments. VCs take credit when things go well, but not when they don’t or when they don’t want you to know what they are investing in. “Axios Pro Rata.”

missing. Either VCs simply avoid admissions of culpability, or critical voices are bullied out of existence.²²⁰

This “bullying” aspect gives rise to a further problem: given the difficulty of obtaining data and the authorial authority of VCs in proclaiming their own merits, those who would want access to VC must toe the line of giving praise for fear of otherwise being denied access.²²¹ Such is arguably an explanation of the sycophancy exemplified by the work of Nicholas and Mallaby.²²² I am hardly the first to point this out. The “sycophancy problem,” as I refer to it, is precisely what led to the creation of *Gawker*, an ill-fated critical Silicon Valley news blog that ran from 2002 to 2016. *Gawker* was founded in response to the notion that Silicon Valley journalists were doing little to scrutinize the rising class of technology elites, in part because journalists wanted access to the latest technological gadgets and tools, and to get that access they had to pander to the gatekeepers of such technology. As one commentator put it, “reporters were participants rather than observers.”²²³ *Gawker* was there to fill the critical lacuna, but it was soon bankrupted into silence via a well-publicized court case financed and driven

²²⁰ The entrepreneur Vivek Wadhwa, suggested to me in an interview that he was hounded out of social media by VC and its acolytes for criticizing the industry’s lack of diversity. Others have claimed that Wadhwa is a misogynist. Interview with the author, *video conference*, 4/13/22.

²²¹ This is, I conjecture, one of the main reasons why I have experienced so much difficulty in obtaining interviews with VCs and VC-related human subjects. My IRB consent form makes plain the critical aspects of my work and has therefore—perhaps—inadvertently discouraged engagement.

²²² While Margaret O’Mara’s history of Silicon Valley never dances with sycophancy, as a history heavily dependent on interviews and archive access it is notably uncritical and generally neutral in tone. O’Mara, *The Code*.

²²³ Chafkin, *The Contrarian*, 124.

by the vindictive efforts of VC Peter Thiel.²²⁴ The ultimate effect of all this is to conceal not only the doings of VC and its agents—particularly their failings—but also their power and influence. Thiel was exceptionally careful to stay out of the limelight during the take-down of Gawker, even if it became obvious at a certain point that his role could no longer be denied. The result is that even when criticism appears, particularly in relation to negative social outcomes, VCs have means to avoid accountability.

4. The Unacknowledged Uniqueness of VC-backed Entrepreneurs

Another problem obstructing the untrammelled critique of VC is the ontological assumption of a VC-Entrepreneur divide. This has both temporal and spatial dimensions: temporally, the entrepreneurial firm is presumed to both precede and succeed the VC relationship and therefore to be fully responsible for its actions, particularly “post-Exit” (when Mallaby says they are fair game for the regulators); spatially, the VC and the entrepreneur are simply deemed to be separate entities, fulfilling separate roles with a common purpose. Both assumptions are problematic. If VC wants to claim that the emergence and innovative outputs of important global mega-corporations has in some way *depended* on the VC process, then VC must logically be held accountable for the form these firms take, both during and—at least to a degree—*after* the exit event. Furthermore, there is an implicit claim that something in the VC-Entrepreneur relationship is essential for these companies to exist, but what?

²²⁴ Thiel’s antipathy towards Gawker supposedly stemmed from the fact that the blog “outed” him as homosexual, a fact he understandably wanted to be publicized (if at all) on his own terms. Chafkin, 134.

Here there is a hidden conceptual question: is there something *different* about an entrepreneur who is or has been venture-backed? I will argue, particularly in Chapters 1 and 3, that it is a mistake to consider all entrepreneurs part of the same species and that we need a new taxonomy to account for the venture-backed entrepreneur and firm. When we consider a venture-backed entrepreneur as a specific type of entrepreneur fulfilling a specific type of role related to the VC process, the question of accountability is altered, and the VC process becomes a crucial component in both the former and subsequent life of an entrepreneurial firm. On this point, it is a notable fact that many formerly venture-backed entrepreneurs and firms open their own VC firms or VC subsidiary firms, and even if they do not—regardless of their own immense personal wealth—regularly seek out VC for subsequent ventures.²²⁵ Engaging with the VC process changes entrepreneurs, and the apparent divide is not as straightforward as is assumed.

5. VC Free Rides a Pro-Innovation Bias

Despite the attempt to distance VC from entrepreneurial action when it comes under critical scrutiny, VC wants all the good press in relation to innovations and “social benefits” it can get. Arguably then, just as Rogers and Godin spoke of a pro-innovation bias that leads researchers (and the general public) to see innovation as tied to social progress, as unquestionably good and necessarily desirable, VC free rides on the very

²²⁵ For example: Peter Thiel founded the VC firm Founders Fund, Google opened Google Ventures, and Elon Musk uses VC financing for nearly all of his new businesses.

same bias.²²⁶ This hypothesis sounds promising in relation to innovation research insights that, for instance, academics and practitioners of innovation have constructed their own history and conceptual description, and that innovation studies is concentrated in engineering and economics departments.²²⁷ Substitute “innovation” for “VC” and the preceding discussion is given added weight. The parallels are important because, as Godin’s research has shown, the pro-innovation bias is inherently ideological. It can be traced historically from its negative association with technological unemployment (e.g., The Luddite Movement), through to a both positive and negative association with technological *change* (e.g., Schumpeter’s creative destruction), through finally to technological *progress*, when in the period after World War II economic growth supplanted full employment as the principal economic goal of state governance, and innovation became a crucial component of public policy. At this time, the focus of innovation shifted from “a concern with universities to a concern with firms, from research to marketing.”²²⁸

²²⁶ There is widespread consensus that innovation is a social good and socially necessary. As Godin puts it: “Over the last few decades, technological innovation became the new religion of our society, the modern belief or faith. Innovation is a *panacea* for our socioeconomic problems” Or, the European commission quote: “Innovation is our best means of successfully tackling major societal challenges, such as climate change, energy and resource scarcity, health and ageing, which are becoming more urgent by the day.” Or, the OECD: “Most current social, economic and environmental challenges require creative solutions based on innovation and technological advance” See Rogers, *Diffusion of Innovations*, 106–7; Godin, *The Idea of Technological Innovation*, 1.

²²⁷ Godin, *The Idea of Technological Innovation*, 3; Söderberg, “Comparing Two Cases of Outlaw Innovation: File Sharing and Legal Highs,” 117.

²²⁸ Godin, *The Idea of Technological Innovation*, 50; Deleuze and Guattari’s meditations on marketing and philosophy are an also interesting intervention on this point and will be taken up further in Chapter 5. They claim that marketing has supplanted philosophy by taking over the social responsibility for concept development. When innovation, which amounts to social change, is reduced to commercialization, the marketing process also becomes a necessary feature of innovation practice. This means the conceptual apparatus for social change is mediated by commercialization and the renewal of social thought itself is tied into the ideological reproduction of capital. Social renewal (in

Because under this model progress is reduced to innovation as the commercialization of invention, and because technology is widely *equated* (not merely associated) with progress, we find a situation in which progress (as technology) is mediated by capital. Because innovation pertains to the alteration of the logic of social life, we may also say that social life is being increasingly mediated by capital *and* that this process is being accelerated under the aegis of VC.²²⁹ We can see the effects of this increasing encroachment upon social life by the way in which social “problems” are increasingly being met with innovation-related (typically technological) “fixes”: crime (PredPol, a predictive policing app),²³⁰ climate change (carbon capture devices),²³¹ inequality and unemployment (cryptocurrency-based universal basic income),²³² all of which come with racist, imperialist, and classist overtones. When technical fixes, which are commercial fixes, become the limit of our imagination, social action in response to social problems is arrested before it can be conceived.

This is not a new thesis. Herbert Marcuse was already articulating some version of it in the 1960s.²³³ But it is a thesis that needs to be renewed for a new era—the era

both thought and practice) is thus mediated by capitalist reproduction. Deleuze and Guattari, *What Is Philosophy?*, 10.

²²⁹ Segercrantz, Sveiby, and Berglund, “A Discourse Analysis of Innovation in Academic Management Literature,” 281.

²³⁰ Benjamin, *Race After Technology*, 83–84.

²³¹ Doerr, *Speed & Scale*, 142.

²³² Chow, “What to Know About Worldcoin and the Controversy Around It.”

²³³ But Marcuse, citing Marx's second observation in Chapter II of *The Poverty of Philosophy*, also subscribes to the thesis that technological change brings with it new productive actors. Hand-mills supposedly give us feudal lords and steam mills industrial capitalists. Does the semiconductor bring with it the modern VC? Marcuse, *One-Dimensional Man*, 154.

of VC.²³⁴ The more social life is colonized by technological and scientific paradigms the more it is embedded within “normal technoculture”—a social form produced, dominated, and homogenized by global monopolies and oligopolies enabled into being and sustained by VC. The result is a social vantage point from which the achievement of historically particular (and contingent) technocultures produces the “normal” trajectory of their subsequent evolution. Thus, concrete existing technoculture produces its own exclusions (i.e., it blinds society to technological alternatives to the status quo) and all subsequent, predetermined responses take on the appearance of obviousness and necessity.²³⁵ As the “jet fuel” of innovation—as accelerationism effectively operationalized—VC too becomes an obvious and necessary social presence.

The problem is that like all accelerationist doctrines, the VC proposition implies a hidden claim pertaining to social justice—in this case, that innovation and technology form an agentless teleology for social life; that justice will emerge from the supposedly agentless advance of “progress” so conceived.²³⁶ Embracing neophilia, it proclaims

²³⁴ McKenzie Wark articulates this sentiment well, arguing that if we are to perform a critique of capital today in the way Marx performed his own critique, then we cannot simply do what Marx did, for he was using the bleeding edge of the tools and materials available to his own time. We must instead renew critique to our own time and incorporate the latest tools and materials available to us. Instead of using factory reports, as Marx did for instance, we must use blogs, investigative journalism, etc. Wark, *Capital Is Dead. Is This Something Worse?*

²³⁵ Giovanni Dosi was the first to make a parallel between Thomas Kuhn’s notion of the scientific paradigm and technological paradigms. As he notes, “once a path has been selected and established it shows a momentum of its own ... contributes to define the directions towards which the ‘problem solving activity’ moves.” Here again, then, we see how problem solving theory negates the possibility of critical theory in Cox’s sense of the terms. Dosi, “Technological Paradigms and Technological Trajectories,” 152–53.

²³⁶ The VC Vinod Khosla exemplifies this ethos preaching that (according to Mallaby) “most social problems can be ameliorated by technological solutions.” Andy Weissman of Union Square Ventures similarly notes that venture capital in Silicon Valley embodies Schumpeter’s creative destruction:

triumphantly that what is new is what is good.²³⁷ And while this may be true from a capitalist perspective, given the value capture opportunities it affords, capitalist acceleration on this front is about no more than closing the “invention-innovation gap,”²³⁸ or, to put it more bluntly, about reducing the production of use-value to the production of exchange-value and, most importantly, value capture by investors. Thus “change,” what humans normally purportedly fear, looks ever more like homogenization (of form rather than content), and thus like its opposite: stasis.²³⁹ The result is a global ideological consensus that obscures the inherently deworlding practices of VC and capitalism writ large: the universalization of lived experience; the erasure of distinct, self-authored, meaningful worlds; globality of locality; the centralization, reduction, and monopolization of social worlds. VC is the engine accelerating into being the future of social necessary, historically contingent human behavior—a future it will rule.²⁴⁰

“Silicon Valley V.C.s are all techno-optimists. They have the arrogant belief that you can take a geography and remove all obstructions and have nothing but a free flow of capital and ideas, and that it’s good, it’s very good, to creatively destroy everything that has gone before.” Mallaby, *The Power Law*, 2; Roberts, *Capitalism and the Limits of Desire*, 11; Friend, “The Mind of Marc Andreessen.”

²³⁷ “Doing something different is what’s truly good for society—and it’s also what allows a business to profit by monopolizing a new market” Thiel and Masters, *Zero to One*, 166.

²³⁸ Benoît Godin credits Charles Carter and Bruce Williams with first theorizing the invention-innovation “gap.” See Godin, *The Idea of Technological Innovation*, 30.

²³⁹ Hall, “The Centrality of Culture: Notes on the Cultural Revolutions of Our Time,” 319.

²⁴⁰ Consider the following VC bio, taken from the Lux Capital website profile page for one of its co-founders, Peter Hébert: “Peter co-founded Lux Capital with the idea that in order to have the biggest impact on the future, one should support the most scientifically and technologically ambitious ventures. His goal: to seek out founders developing things most people thought would not work, yet if they did, would become so intrinsic to our way of life that we would someday take them for granted.” <https://www.luxcapital.com/people/peter-hebert> (accessed August 8, 2023)

IV. APPROACH OF THE DISSERTATION

My principal aim in this dissertation is to address the question of why there is no social critique of VC by attempting to construct this very critique. I treat the two tasks as mutually reinforcing.²⁴¹ In doing this the analysis effectively *begins* where Mallaby ends, treating his enumerated “objections” (relating to e.g., non-diversity, monopolization, and disruption) not as an afterthought, but as the background context and underlying premises of the entire work. The goal is not to replace one inadequate theory with “better” one, but to produce a critique that can stand up as a better starting point for future analyses and political or social action.²⁴² It is intended primarily for critical social theorists and scholars of VC. However, I sincerely hope to have produced something that VC-related practitioners, public policymakers, and activists will also find useful. For those turned off by the Marxian influence in what follows, know that while I wholeheartedly subscribe to the mature Marx’s method and substance of critique, I am less drawn to the politics associated with the young Marx and the Marxist tradition (as I believe, ironically, Marx also was).²⁴³

²⁴¹ So writes Marx in a letter to Lassalle on 22 February 1858: “The work I am presently concerned with is a Critique of Economic Categories or, if you like, a critical exposé of the system of the bourgeois economy. It is at once an exposé and, by the same token, a critique of the system.” Quoted in Althusser, “Reading Capital,” 100.

²⁴² Hall, “Marx’s Notes on Method: A ‘Reading’ of the ‘1857 Introduction,’” 57.

²⁴³ In 1882, Engels famously quoted Marx as saying “If anything is certain, it is that I myself am not a Marxist.” The mature Marx of *Capital* focused more on capitalist critique and analysis than on a communist political program. A large part of this shift may be attributed to the failed revolutions of 1848, and thus of a growing pessimism in Marx’s thought in relation to the possibility for communist world revolution. See Engels, Friedrich. “Frederick Engels Letter To Eduard Bernstein in Zurich,” 1882. https://marxists.architexturez.net/archive/marx/works/1882/letters/82_11_02.htm.

To make an unmanageable task feasible, several scope limitations have been imposed. I focus primarily on institutional VC, the twenty-first century, and US-based VC (with an added emphasis on Silicon Valley), which is not to say I completely exclude consideration of Angel investing, CVC, the twentieth century, or global instantiations of VC—it is more that, as my argument will show, the latter are generally derivative or diluted forms of the institutional VC process. They therefore have secondary importance to the present task.

Still, the task remains formidable. In addition to economics, finance, and business, the objects of my inquiry include—at a minimum—society, culture, science and technology, politics, the law, and even nature. VC is not an element that may be abstracted from the world in which it acts or the history from which it has emerged, but is instead, as Althusser would put it, one part of a “complexly structured whole.”²⁴⁴

It is along this line of thought that I have come to realize that if the hypotheses enumerated in the previous section have any coherence, it is that they gesture towards the notion of materialist ideology.²⁴⁵ Rather than treating the world as formed from a unilinear duality between a material base and its ideal infrastructure, we are speaking here of a complex bidirectional causality wherein ideas inform practice and practice informs ideas; wherein the objects of my inquiry exist in an articulated manner.²⁴⁶ Whereas I had initially treated nature and society as ontologically prior entities forming the material basis of human existence (and the raw material upon which VC feeds), I

²⁴⁴ Quoted in Hall, “Marx’s Notes on Method: A ‘Reading’ of the ‘1857 Introduction,’” 46.

²⁴⁵ Althusser, “Ideology and Ideological State Apparatuses.”

²⁴⁶ Hall, “The Centrality of Culture: Notes on the Cultural Revolutions of Our Time,” 331–32.

have come to realize that, regardless of origins, in their determinate historical form nature and society are unavoidably mediated by culture and symbolic meaning. Moreover, while economics is often associated with the material base, it is an obvious fact that economic practice takes different cultural forms and uses those forms to mobilize social and natural resources—just as it mobilizes politics, politics mobilizes it, and so on. The same can also be said about technology—it is a material force imbued with cultural specificity and political and legal significance, and it acts upon nature and society just as it also *responds* to them.

While this may seem to complicate matters, by focusing on the complex whole as opposed to its parts in isolation (which is the goal of critical theoretical analysis), I am effectively reducing my objects of analysis from eight (or more) to one: the concrete historical present in which the laws of capital, particularly the form of entrepreneurial self-determination, have become firmly established as common sense.

As should be the case, these ontological commitments have determined my epistemological approach. On the one hand, the invocation of “common sense” suggests the obscurity of the problem at hand (i.e., the curious absence or difficulty of social critique) emerges precisely as a product of VC’s (and its effects’) socially necessary, historically contingent *appearance*. On the other hand, to penetrate this phenomenal presence, to get beneath the content of its ideas and practices, entails focusing on the secret of its *form*. Accordingly, my strategy in dealing with the manifold complexity and volume of empirical resources available to me has been, first, to use these materials (the content) as a means of revealing the form of the VC process

itself, and second, as a means of corroborating, testing, and demonstrating the validity of my own representation of this form.

This approach has allowed me to get beyond the problem of balancing the quantitative findings of academic and industry-based research with the qualitative generalizations made by individual practitioners. Thus, in addition to the literatures outlined above,²⁴⁷ I have used data sources such as Pitchbook, CB Insights, and Crunchbase for my empirical research, and in the absence of sufficient interview data have resorted to what my adviser and graduate colleagues have come to refer to as an “alternative archive.” In my own inquiry this archive has been composed of blogs, video recordings of interviews and industry conferences, and social media. Additionally, I have attended industry conferences and events to observe how VC and its related agents engage with one another when they are amongst friends and their guard is, as such, “down.”

Theoretically, as is appropriate, I have drawn primarily on materials falling under the broad umbrella of “critical theory.” This entails, of course, the work of Marx (particularly the three volumes of *Capital*), but also several of his commentators including David Harvey, Louis Althusser, Antonio Gramsci, Stuart Hall, Pierre Bourdieu, and various members of the Frankfurt School. I also include in this category the work of Michel Foucault who, although not a Marxist, also deals with complex relation between material and ideas, and whose work on subjectivity has informed my

²⁴⁷ In the section entitled “Absent and Wrong Conversations”

analysis, particularly in Chapters 1, 3, and 5. Commentators and critics of Foucault's work, such as Wendy Brown and Judith Butler have also been invaluable in this regard.

There are three parts to the dissertation, each containing two chapters. To contain my analysis and keep it from becoming unwieldy, I have assigned themes and rules to each part and chapter. For instance, the method I have employed based on my ontological-epistemological assumptions is broadly abductive, and this is represented in the structure of each chapter. In each case I begin with an anecdote demonstrating some anomaly, contradiction, or inconsistency. The anecdote is intended to serve as an idiosyncratic example of some phenomena that I wish to unpack and draw general insights from in the chapter that follows. Then, I attempt to explain this anecdote via the prevailing ideas and actions of VC scholars and practitioners (problem solving theory). Next, I deduce my own formal representation of the VC process as an alternative explanation (along with its implications) before engaging in a critical discussion of that formal representation that draws inductively upon a range of diverse empirical materials.²⁴⁸ My aim, at each stage, is to develop a *meta-political* theory of VC's role in determining possibilities and limitations for social action, both in the present and future.²⁴⁹

²⁴⁸ My understanding of abduction in this regard is informed by Van De Ven, *Engaged Scholarship: A Guide for Organizational and Social Research*, 101; Tavory and Timmermans, "A Pragmatist Approach to Causality in Ethnography"; "Theory Construction in Qualitative Research: From Grounded Theory to Abductive Analysis - Stefan Timmermans, Iddo Tavory, 2012." In each of their different articulations of abduction, the general pattern is the same: an anomaly leads to the requirement for a theory; the theory is initially *deduced* and formally represented; the theory is evaluated by means of inductive reasoning and research.

²⁴⁹ I describe this as meta-political because I am making an argument about the politics of VC as it takes place *outside* of commonly identifiable political processes such as the practice of government.

The chapters and parts are organized as follows. In Part I, I focus on the temporal dimensions of the VC process in relation to the “exit” event. Specifically, my analysis focuses on how the exit event forms a singularity towards which time *contracts* to produce certain value outcomes. Chapter 1 analyzes the VC-entrepreneur relationship in terms of its contractual arrangements (formalized via the “term sheet”). I focus here on internal operations of the VC process, bracketing out everything subsequent to the exit event. This allows me to focus on the temporal distortions and disciplinary effects produced by the exit event, and the various ways in which VC suspends and modifies the normal rules of capitalist accumulation. Chapter 2 flips the analysis around to look at the VC process in relation to its external effects and operations—that is, everything *beyond* the exit event. This entails connecting the internal operations of VC and private markets with their external relation to global capitalism and public markets. I seek to show how VC develops, aids, and profits from the centralization of global capital while maintaining a distance and avoiding political scrutiny amidst the effects of social and economic disruption.

In Part II I shift my focus towards the spatial dimensions of VC, particularly in relation to “value capture.” Parallel to the analysis in Part I, my analysis here focuses on how “Silicon Valley” as both an idea (*eidos*) and place (*topos*) *contracts* space by clustering objects of value together under the concentrated, highly specific modes of capital accumulation. Chapters 3a and 3b, following the pattern in Part I, looks at the spatial relations *internal* to the VC process by exploring the accumulation (and valorization) of “human capital.” By interrogating the complex relationship between

social individuals and the closed social networks held together by VC, I develop an overdetermined conceptual framework for articulating how social capital, equity-based class formations, and relations of power-knowledge come together to produce a "consensus" around the Silicon Valley model of social transformation. In Chapter 4 I flip my analysis (again) to explore the VC process from the perspective of its *external* spatial relations, this time in terms of the discovery and creation of market "space"—those supposedly uncharted sites upon which capital accumulation may proceed unchallenged.

Part III brings the temporal and spatial analyses from the first two parts together to focus on the phenomenal *appearance* of VC and its related effects to the world at large. The general theme here is the notion of social necessity, and how under the VC process it comes together with contracted space-time (Parts I and II) to produce a new definition of value. In Chapter 5, I demonstrate how under the VC process audacity combines with capital (and the power it bestows) to produce the image of "genius," and to generate reputational signals which become, on the one hand, a self-sufficient source of symbolic value indifferent to the absence or presence of actual material value (e.g. bubbles, vaporware) and, on the other, a source of justification for the content of the objects of fulfillment chosen to meet society's most urgent wants and needs (i.e. this product instead of that). Chapter 6 then brings the entire argument together through an analysis of risk, strategy, and value, arguing that the basis of VC accumulation is no less than the accumulation of desire. This leads to my main conclusion: that value under VC can no longer be understood as "socially necessary labor time" but has been

extended and transformed into “socially necessary contracted space-time”—a more fully encompassing and parasitic source of surplus value capture than the world has ever seen.

PART I: EXIT

[CHAPTER 1]

The Voice of Exit

Decoding the VC-Entrepreneur Relationship

“While exiting is the last phase of the venture capital cycle that we discuss, it is extremely important to the health of the other parts of the cycle. The need to ultimately exit investments shapes every aspect of the venture capital cycle.”²⁵⁰

~Paul Gompers and Josh Lerner, *The Venture Capital Cycle*, p.346.

“It’s just wrong, but the fact is that when the VCs do their deals and they do the paperwork, they take advantage of entrepreneurs who haven’t been through this before. They do things on terms that favor them in a way that really can’t be justified—that take advantage of their ignorance. It’s not a good way to do business. Some of the VCs try to rationalize it, “This is just the way things are done.” Well, I’m sorry but they’re wrong. Why do you think venture capital also enjoys a reputation as “vulture capital?” It’s not an accident; it doesn’t have to be that way.”²⁵¹

~Mitchell Kapor, *Founders at Work*, p.101

“Indeed, a truly predatory type of investor—sometimes referred to as a *vulture capitalist*—looks to use the chasm period of struggle and failure as a means to discredit the current management, thereby driving down the equity value in the company, so that in the next round of funding, he or she has an opportunity to

²⁵⁰ Gompers and Lerner, *The Venture Capital Cycle*, 346.

²⁵¹ Livingstone, *Founders at Work*, 101.

secure dominant control of the company, install a new management team, and, worst case, become the owner of a major technology asset, dirt cheap. This is an incredibly destructive exercise during which not only the baby and the bathwater but all human values and winning opportunities are thrown out the window. Nonetheless, it happens.”²⁵²

~Geoffrey A. Moore, *Crossing the Chasm*, p.77

“In so far as individuals adopt the role of capitalist, they are forced to internalize the profit-seeking motive as part of their subjective being. Avarice and greed, and the predilections of the miser, find scope for expression in such a context, but capitalism is not founded on such character traits—competition imposes them willy-nilly on the unfortunate participants.”²⁵³

David Harvey, *The Limits to Capital*, p.28

“Use values must therefore never be looked upon as the immediate aim of the capitalist; nor must the profit on any single transaction. His aim is rather the unceasing movement of profit-making. This boundless drive for enrichment, this passionate chase after value, is common to the capitalist and the miser; but while the miser is merely a capitalist gone mad, the capitalist is a rational miser.”²⁵⁴

~Karl Marx, *Capital: Volume I*, p.254

²⁵² Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 77.

²⁵³ Harvey, *The Limits to Capital*, 28.

²⁵⁴ Marx, *Capital*, 254.

INTRODUCTION: CAPITALIZING APOCALYPSE

In 2021, John Doerr released the somewhat misleadingly titled *Speed & Scale*, a book about the climate crisis and how we might solve it. People familiar with Doerr's earlier publication, *Measure What Matters*, might be forgiven for presuming this newer work was yet another treatise on how to start and grow a business; another strategic business framework to complement the "OKR" (Objectives and Key Results) method that Doerr introduced in *Measure What Matters* and that has become something of a startup industry standard. Those familiar with Doerr's reputation as a venture capitalist investor at Kleiner Perkins,²⁵⁵ however, would likely be unsurprised by *Speed & Scale*'s content given Doerr's (in)famous historical association with the evangelistic promotion of so-called "ClimateTech."

As it happens, *Speed & Scale* is about all of these things: it is an exhortation to deploy OKRs in the battle against climate crisis, with innovation—i.e., the commercialization of invention—as the engine. It is an attempt to combine environmentalist idealism with capitalism materialism. After all, Doerr notes, "climate risk is investment risk."²⁵⁶

Doerr cites his fifteen-year-old daughter as the inspiration behind this crusade. "I'm scared, and I'm angry," she told him after a screening of Al Gore's documentary

²⁵⁵ Formerly Kleiner Perkins Caulfield & Byers, one of the oldest, most prestigious, and well-known of all VC firms based in Silicon Valley.

²⁵⁶ Doerr, *Speed & Scale*, 217.

An Inconvenient Truth, “your generation created this problem. You better fix it.”²⁵⁷

Accordingly, Doerr’s approach to climate crisis is representative of a conservative radicalism at the heart of VC—a process in which young ideas meet mature money. As Doerr says, “if you can’t invent the future, the next best thing is to fund it.”²⁵⁸

Doerr’s “OKR” approach to the climate crisis is a representative instance of how VC embeds and disciplines radical ideas within a conservative framework of executive and financial control.²⁵⁹ “Ideas are easy; execution is everything,” he says, and it is in this statement that both his mindset as a VC and his particular approach to the climate crisis can be explained.²⁶⁰ Indeed, it is perhaps because Doerr sees execution as “everything” that in his pursuit of radical ideas to fund he admits to pattern matching and a reversion to type. Speaking to the NVCA in 2008, he notoriously confessed that the entrepreneurs who are best at “getting things done” “all seem to be white, male, nerds who’ve dropped out of Harvard or Stanford and ... have no social life. [W]hen I see that pattern coming in ... [it is] very easy to decide to invest.”²⁶¹

²⁵⁷ Doerr, xi.

²⁵⁸ Quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 105.

²⁵⁹ One benefit of the OKR approach is that it allows grand problems to be reduced to incremental milestones. VCs like this because they can tie achievement of these incremental milestones to capital provision. Known as “staged financing,” whatever funding an entrepreneur receives is typically tranching into smaller amounts and distributed as each milestone is achieved. This provides a disciplinary effect and ensures entrepreneurs are always focused on growth and, ultimately, investor returns. As Doerr curtly puts it: “you are always raising money.” Doerr, *Speed & Scale*, 270.

²⁶⁰ Notably, OKRs, in Doerr’s own words, tell us the “what” (objectives) and the “how” (key results). What they do not tell us is the “why”—which, I would argue, is one of capitalism’s chief failings: it follows the ideas that make money, whether it’s a good idea in any other regard is literally immaterial. Griffin, *A Dozen Lessons for Entrepreneurs*, 102; Doerr, *Speed & Scale*, xxiii.

²⁶¹ Reich, Sahami, and Weinstein, *System Error: Where Big Tech Went Wrong and What We Can Do About It*, 41; O’Mara, *The Code*, 75.

One explanation for Doerr's risk-averse approach to selecting entrepreneurs and entrepreneurial ventures is that this is not his first foray into climate solutioning. Notoriously, Doerr was figurehead to the ill-fated "ClimateTech 1.0" drive between around 2004 and 2011, which had targeted the global energy sector for disruption.²⁶² Doerr, described as "magnetic and messianic" with "the emotional commitment of a priest and the energy of a racehorse," suffered significant reputational damage as a result of that failed endeavor, as did his firm Kleiner Perkins. According to the VC Peter Thiel, Doerr's ignominious (albeit temporary) fall from grace could be attributed to one simple truth: he had failed to behave like a true capitalist. For Thiel, the essence of capitalism is monopoly, *not* competition (as is often held to be the case), and Doerr, who at the time said "Internet-sized markets are in the billions of dollars; the energy markets are in the trillions" had either naively or hubristically ignored the fact that trillion-dollar markets mean "ruthless, bloody competition."²⁶³

ClimateTech 2.0, the present and ongoing movement within VC and entrepreneurial circles, and the focus of *Speed & Scale*, makes no such mistake.²⁶⁴ Whether by coincidence or in response to Thiel's admonition, rather than targeting massive established markets for disruption, Doerr's strategic pivot is to focus on six priority areas, each of which break into smaller submarkets: electrifying transport,

²⁶² "Six of the seven solar companies backed by Kleiner failed. For those of us who lost our shirts, it was another lesson learned: beware when investing in commodities, where price is king." Doerr, *Speed & Scale*, 32.

²⁶³ Thiel and Masters, *Zero to One*, 157; Thiel, "Competition Is for Losers."

²⁶⁴ "A paradigm shift has happened," said Svenja Telle, an emerging tech analyst at PitchBook. "Before, climate finance was seen as a task without returns. It was a sinkhole. Now climate finance is seen as one of the most profitable investment strategies out there. That changes everything." Thorne, "At COP26, Investors Steal the Stage from Diplomats | PitchBook."

decarbonizing the grid, fixing food, protecting nature, cleaning up industry, and removing carbon.²⁶⁵ And all of which, it is worth noting, amount to undoing what capitalism has done. As Doerr acknowledges and Thiel opines, by starting in smaller, novel *submarkets*, competition can be avoided.²⁶⁶ Combined with the hypergrowth mentality of OKRs and capital fuel of VC, those markets can be dominated and then scaled into massive global markets on their own right, which is the essence of what can be described as VC's "winner-takes-all" approach to entrepreneurial investment.²⁶⁷

We begin with this account of Doerr's approach to the climate crisis not merely because it offers a characteristic example of VC thinking, but also because it serves as a symbolic and logical demonstration of the VC process as it relates to entrepreneurial action. Doerr's own initial failure in the pursuit of finding a profitable solution, along with his ability to find new capital and to start again, is an all too familiar trope of startup cultures backed by VC, as is the lesson that monopoly can be a path to financial reward, while "competition is for losers."²⁶⁸ But more than this, Doerr invokes a future

²⁶⁵ One area notably missing from Doerr's list is solar geoengineering—that is, sending sulfur dioxide into the atmosphere to block out the sun, an approach that has become the remit of dedicated government programs. Doerr suggests this is the "wrong moral choice," but a more likely reason for its absence in his list is that there is no way for its execution to yield any form of guaranteed recurring revenue. Hence it has been taken up by the state. Doerr, *Speed & Scale*, xxvii, 254.

²⁶⁶ "When a new market opens, there's often little competition. First movers gain a big advantage ... Vestas, an industrial equipment manufacturer, became one of the first makers of wind turbines and is now the largest in the world." Doerr, 49.

²⁶⁷ This approach is demonstrated by one of Doerr's own, more spectacular failures: his decision *not* to invest in Tesla, despite its "strategically sound and beautifully structured" plan. The reason he bypassed this investment, "one of the top-returning investments of all time" was because they had already decided invested in a direct competitor called Fisker. VCs do not hedge in winner-takes-all markets for that would amount to competing with themselves. Doerr's spectacular failure is directly correlated to Tesla's spectacular success. As a point of note, Thiel also passed on an opportunity to invest in Tesla, though in this case this was because, according to Elon Musk, he "doesn't fully buy into the climate change thing." Doerr, 2; Chafkin, *The Contrarian*, 120.

²⁶⁸ Thiel, "Competition Is for Losers."

approaching event of uncertain realization and determination as the motivation for pursuing speed and scale in innovation, for absorbing idealism within material social necessity, and for using capitalist excess as a remedy for capitalist excess—for subsuming novelty and utility within commodified exchangeability. He promotes growth and intensity of execution over the substantive content of any given solution, and constantly speaks of the incentives available to anyone disciplined enough to follow the rules of growth and equity investment. But make no mistake, VC cannot realize these gains alone; while entrepreneurship in general has no logical dependence on venture capital (VC), the reverse does not hold true. All of these things pertain to what I call the “VC-Entrepreneur Relationship,” the focus of this chapter.

In what follows, I explore both the dependence of VC on entrepreneurship and the special mode of entrepreneurship that emerges when they are combined. Drawing on Robert Cox’s influential distinction between problem solving and critical theory, the chapter is divided into two main sections.²⁶⁹ In the first, I explore the VC-Entrepreneur relationship through prevailing business, economics, and legal literature, giving particular attention to the contractual relations and incentives defined by the term sheets and definitive agreements. The prevailing analytical device used by this literature—and theoretically embodied in the structure of term sheets—is “agency theory,” an approach that defines VCs as agents and entrepreneurs as principals. In the second, I apply a critical theoretical lens to the prevailing literature and offer an alternative perspective on the VC-Entrepreneur relationship. My goal is to show how

²⁶⁹ Cox, “Social Forces.”

agency theory both oversimplifies and underdetermines the VC-Entrepreneur relationship in its concrete historical relations. The argument of section two proceeds in four parts.

First, I show how the provision of VC to the entrepreneurial process upends the general formula for capital as specified by Marx. To fully define the process of accumulation underpinning any given VC-Entrepreneur relationship I offer an expansion of Marx's formula that I refer to as the general formula for venture capital. In the second part, building upon the general formula for venture capital, I demonstrate how the "exit" event characterizing VC-Entrepreneur relations separates the general formula for capital from the general formula for venture capital, and in doing so produces a special temporal dynamic that is both a unique and characteristic feature of the VC-Entrepreneur relationship. Third, I show how this special temporality, defined by and coterminous with the term sheet, "embeds" the entrepreneur in a set of social relations and incentives while simultaneously insulating the entrepreneur from the traditional exigencies of capitalist accumulation (i.e. the need to realize profit). I argue that the "embedded entrepreneur" is consequently incentivized to substitute growth for profit as a means of valorizing the equity stakes of investors (i.e. VCs) and entrepreneurial founders. Part four develops the notion of special "contractual" time by arguing that its defining feature is a contracting temporal horizon—a special time in which an exit event of undetermined form (e.g. public offering, acquisition, winddown) forms an approaching temporal horizon, both threatening and enticing to the entrepreneurial venture. In this context, survival becomes the primary motivation for

the embedded entrepreneur, and exit becomes a structural disciplinary mechanism ensuring investor (i.e. VC) incentives take absolute priority.

In the final analysis, using Albert O. Hirschman's influential distinction of voice and exit (figurative representations of politics and economics in commercial practice), I argue that contractual, contracting time coalesces as "contracted time," the defining feature of the VC-Entrepreneur relationship—a factor entirely excluded from the agency theory approach of mainstream scholarship on VC-Entrepreneur relations. In this new, critical characterization, coercion and consent and politics and economics come together to produce the VC-Entrepreneur, the subject I dub "ventrepreneur."

I: THE VC-ENTREPRENEUR RELATIONSHIP: A MAINSTREAM APPROACH

Dramatis Personae

To understand the VC process we must first understand the actors and elements involved. Technically, the VC process begins and ends with the fund. General partners (GPs) at a VC management company raise funds from limited partners (LPs), invest those funds in portfolio companies (startups), and then, at a later date, cash out those investments with the aim of returning a greater amount to LPs and obtaining a cut for their efforts. This is not, however, how we generally think of the VC process. What draws the most attention is, instead, the VC-Entrepreneur relationship that mediates fund valorization. In this chapter I shall attempt to draw out a first sketch of this VC-

entrepreneur relationship lying at the heart of the VC process. Fundraising and distribution will be addressed in Chapter 2. The “black box” that I will focus on here is illustrated in Figure 1.1.

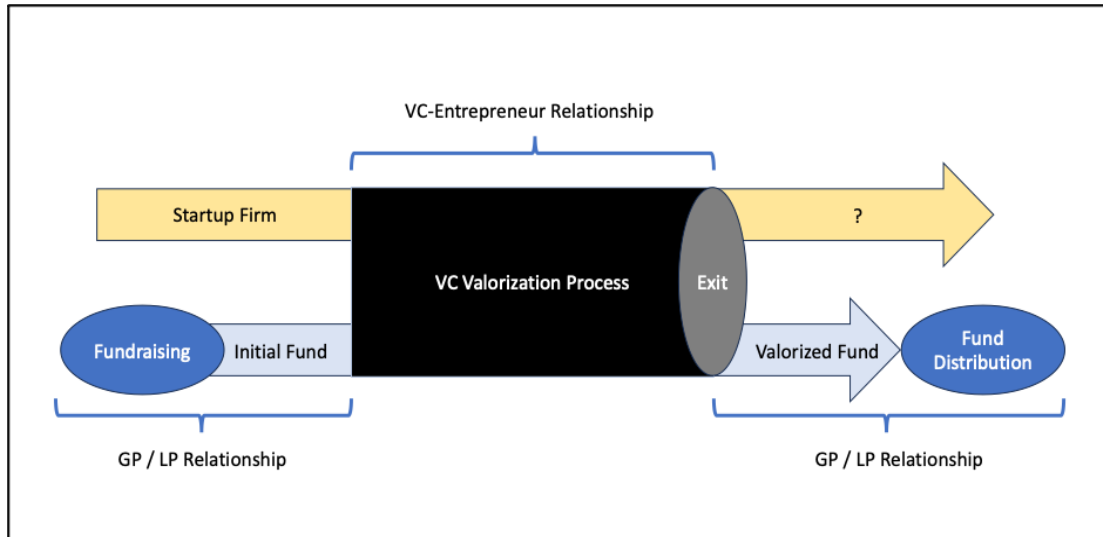


Figure 1.1 – The Black Box of VC Valorization (Source: Author)

Despite the seemingly self-evident and simplistic form of the dyad “VC-Entrepreneur,” each element invokes multiple actors and roles. The signifier “VC,” for instance, is an aggregate term comprised of management companies, LPs, GPs, and Funds, whereas the signifier “Entrepreneur” denotes startup firms,²⁷⁰ their founders, and certain startup employees. The relationship between the various elements of “VC” is shown in Figure 1.2.

²⁷⁰ Also referred to as portfolio firms, particularly when addressed from a VC (i.e. GP or LP) perspective.

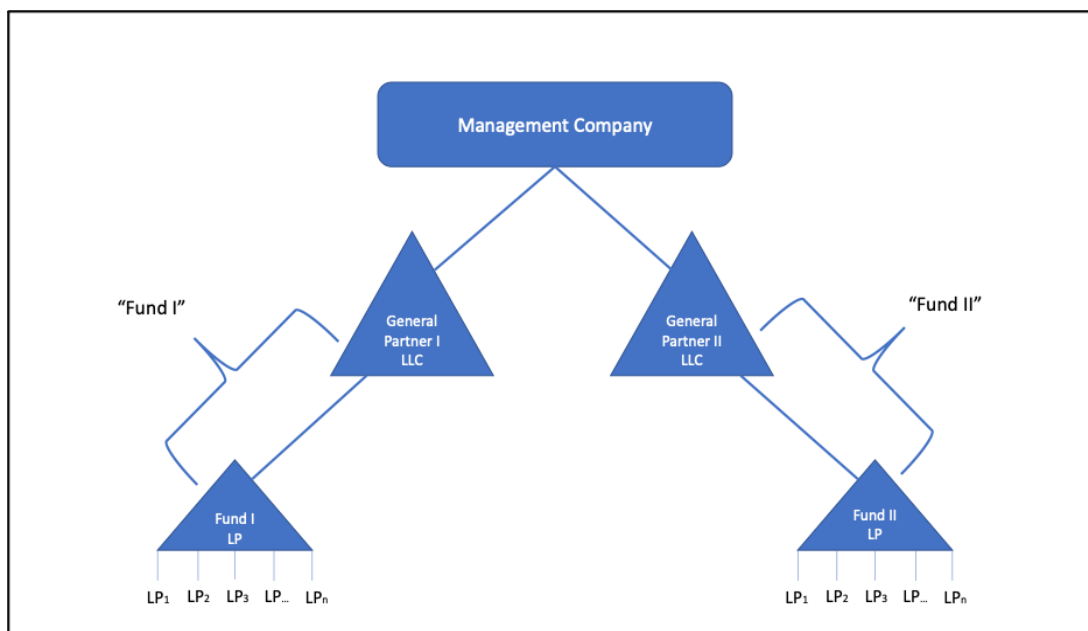


Figure. 1.2 - Management Company Structure: General Partnership and Limited Partnership²⁷¹

Management companies, shown at the top, are the entities we are typically referring to when we speak of VC firms—Sequoia Capital, Kleiner Perkins, or Sutter Hill Ventures, are all examples. These companies employ the partners, associates and support staff associated with a VC firm. GPs, the agents typically denoted by the terms “VC” and “VC investors,” although almost always employed in some capacity by the management company, are in relation to funds technically associated with a specialized general partnership (GP) entity, represented by the middle two triangles on Figure

²⁷¹ Adapted from Feld and Mendelson, *Venture Deals*, 169.

1.2.²⁷² These entities are fund specific and tend to be owned by managing directors of the management company on a fund-by-fund basis. The bottom two triangles represent the limited partnership (LP) vehicle. This is the entity that LP investors (LP₁, LP₂, etc.) are legally associated with, and in combination with the GP entity form what is commonly known as “the fund.” The crucial point is that a fund and a management company are separate entities with separate temporalities, incentives, and motivations.²⁷³

LPs, shown at the very bottom of Figure 1.2 (LP₁, LP₂, etc.), typically come in the form of institutional investors—especially pension funds, university endowments, sovereign wealth funds, funds of funds, family offices, charities, and insurance companies—but may also on occasion be wealthy individuals.²⁷⁴ The funds raised from LPs are gathered together in a limited partnership vehicle represented by the lowest triangles on Figure 1.2. Given the high-risk profile of VC and private equity in general, LPs typically allocate only a small portion of their overall funds to this asset class.²⁷⁵ The goal in general is to beat public indices (the public market equivalent, or PME)

²⁷² As is common parlance, I shall throughout this dissertation generally refer to GPs as VCs unless the distinction is necessary. In the same way, I shall refer to founders as entrepreneurs and vice versa.

²⁷³ Feld and Mendelson, *Venture Deals*, 169.

²⁷⁴ Nicholas, *VC*, 147.

²⁷⁵ The exact percentage will vary between LPs but ranges anywhere from 5 to 30 percent with an estimated average of 10 percent. Given the aim of investing in VC funds is to achieve greater returns than those offered by public indices, LP investment patterns are sensitive to macroeconomic conditions. This will be addressed in more detail in the next chapter. Johan, “Institutional Investment in Private Equity,” 48.

such as the Standard and Poor (S&P) 500 or NASDAQ by around 500-800 basis points (or 5-8%) over the lifetime of the fund.²⁷⁶

A typical fund exists for 10 years, although extensions are possible and do happen. Most management companies raise new funds every two to five years.²⁷⁷

Figure 1.3 illustrates the lifetime of a fund and its salient components.

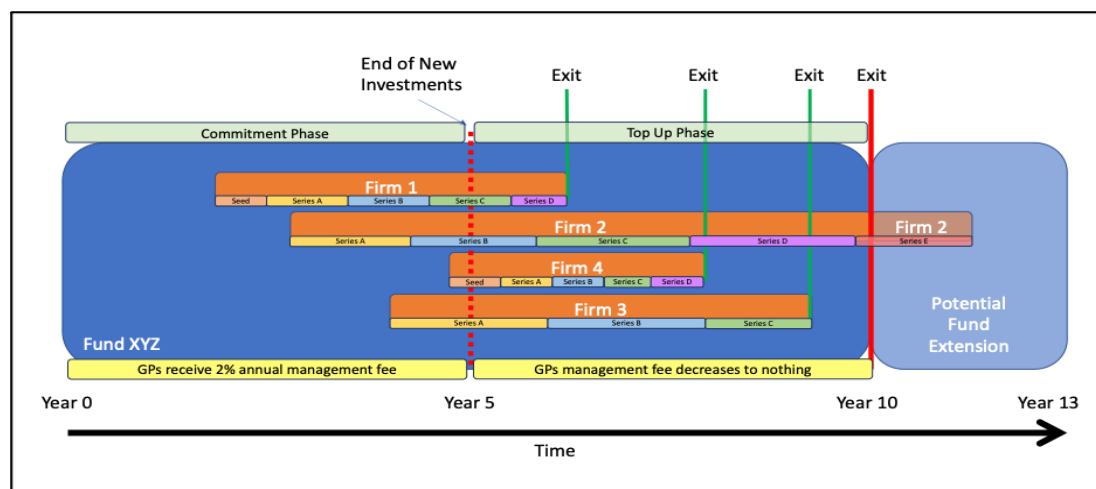


Figure 1.3 – The Lifetime of a Typical VC Fund (Source: Author)

As can be seen in the diagram, capital provisions to new portfolio firms (startups) are limited to the first five years. After this, commitments are restricted to top-up investments in existing portfolio firms only.²⁷⁸ New startups are therefore introduced

²⁷⁶ Both the S&P 500 and the NASDAQ have had an average return of around 10% (not adjusted for inflation) over the past 20 years. Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 54; Kaplan and Lerner, “It Ain’t Broke: The Past, Present, and Future of Venture Capital,” 40.

²⁷⁷ One rule of thumb is to begin fundraising when an existing fund is 70 percent committed. Gilson, “The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, And Covenants Not to Compete,” 469; Feld and Mendelson, *Venture Deals*, 178.

²⁷⁸ Feld and Mendelson, *Venture Deals*, 175.

to the fund only up until and including year five of a fund. While portfolio firms may exit the fund at any point, the 10-year mark is significant in that unless a fund extension is granted²⁷⁹ there will be pressure to seek an exit.²⁸⁰ Depending on the startup, an exit may be achieved through a public offering (IPO), acquisition (M&A), buyback (the founders purchase equity owned by VCs), or winddown, each of which are considered “liquidation events” in that they involve a cash return to the fund.²⁸¹ The crucial detail is that the pressure for liquidation event increases as the fund approaches its end of life. In particular, startups added to the fund closer to the five-year mark will be under greater time pressure to perform as there is less runway in the fund for them to receive capital support.²⁸²

Exit decisions are driven by GPs and entrepreneurs, and aside from time pressures designed into the lifecycle of a fund, LPs typically have limited input. The

²⁷⁹ Fund extensions are subject to annual votes by LPs. Three 1-year extensions or one 2-year extension is the norm. Feld and Mendelson, 176.

²⁸⁰ As will be shown in the following discussion, exit dominates agents working with the VC process from the very beginning: “Venture capitalists virtually always invest with a successful exit strategy clearly in mind and a 4-7-year time horizon (venture capitalists are typically committed to returning to their limited partners their principal and earnings within 8-10 years).” Busenitz, “Innovation and Performance Implications of Venture Capital Involvement in the Ventures They Fund,” 233.

²⁸¹ Technically, an IPO is not a liquidation event but rather a new funding event, as the company is not liquidated. I am calling it a liquidation event here, however, as in almost all scenarios the preferred shares of investors will convert to common stock eliminating all contractual issues concerning liquidity. In the case of a winddown, all corporate assets will be sold to pay off debts and return whatever remains to the fund. As such, this is still classed as a liquidation event, albeit an unsuccessful one. One estimate suggests that 15% of exits are by IPO, 50% by M&A, and Winddown constitutes the remainder. See Feld and Mendelson, *Venture Deals*, 63; Tamaseb, *Super Founders*, 236.

²⁸² Consider the following example. Startup-A receives funds in Year 1. It has nine years until the fund closes and a liquidation event will be forced upon it. This gives the Startup-A significant time to grow and establish itself, meaning it will have many years to position itself for an IPO or to find a desirable acquisition. Startup-B, on the other hand, receives funds at the end of Year 4. It has just over five years in which to grow and establish itself before a liquidation event may be forced upon it. Startup-B may desire—and have the potential—do become a public firm via IPO, but it may be forced to accept an acquisition due to a starvation of future capital. In any case, the incentives vary wildly depending on the startup and stage at which they enter a fund.

goal for a GP is to build a portfolio of startup investments financed from a fund, understanding that many (80-90 percent) will fail and only a small number (10-20 percent) will succeed. The hope is that this small subset of successful investments will make up the bulk of a fund's returns. By the time a fund has reached the 10 to 12 year mark, these large financial returns (otherwise held in the form of equity stakes in portfolio companies) are to have been cashed out and returned to investors so that the cycle may begin anew.²⁸³ GPs therefore have an incentive to make a fund's investments liquid quickly so as to deliver within the 10-year deadline of a fund (assuming the fund is not extended),²⁸⁴ an incentive that is variably intensified depending on the GPs own stake in the fund. GPs are generally required to have a one to two percent "skin in the game" stake in the fund, which for established, wealthy GPs, is generally not a problem, but for emerging, less wealthy, GPs may necessitate going into debt.²⁸⁵ In this scenario the self-interested need to service debts obligations may intensify the incentive to push for early—perhaps even premature, exits.

GPs are compensated for their day-to-day management of funds in two ways. First, they receive an annual management fee (typically two percent of the value of the fund) which applies regardless of fund or portfolio firm performance. The larger the fund, the larger the fee.²⁸⁶ This fee tends to decrease after the commitment phase,

²⁸³ Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 114–15.

²⁸⁴ Gilson, "Engineering a Venture Capital Market," 1071.

²⁸⁵ Tamaseb, *Super Founders*, 180.

²⁸⁶ Notably, as investor interest in VC has increased over the past three decades, so too have the sizes of funds, with the implication that non-performance-related incentives have increased in relevance. Historically the vast proportion of a GP's compensation would come from carried interest, but in the era of megafunds (~2016-2022 and beyond) this imbalance has been disrupted.

however, altering GP incentives in significant ways (see Figure 1.3). Second, they receive a portion (typically 20 percent) of the carried interest received from a fund.²⁸⁷ This applies to any returns in excess of the initial amount invested in a fund (*not* individual portfolio firms).²⁸⁸ These returns are treated as carried interest in order to avoid double taxation and to ensure preferential tax treatment for both LPs and GPs.²⁸⁹ Because carried interest constitutes the bulk of a GP's compensation, the GP's primary interests are aligned with the success of the fund.²⁹⁰ Often, however, GP carried interest is subject to a "hurdle rate," or minimum percentage return on a fund, below which they will receive no carried interest compensation whatsoever. The purpose of this hurdle rate, typically fixed at eight percent, is to incentivize the pursuit of returns in

²⁸⁷ Gompers and Lerner, *The Venture Capital Cycle*, 91.

²⁸⁸ GPs may take carried interest on an exit-by-exit basis, but if the fund itself does not ultimately deliver returns adequate to its contractual obligations then the GP will be subject to "clawbacks" wherein the LP requests these early distributions be returned to make up any deficits. This can create problems for GPs if the reason they took this carried interest early was to facilitate some other debt or investment (that may or may not have worked out).

²⁸⁹ As noted in the introduction, carried interest distributions are taxed as long-term capital gains and therefore at a lower tax rate than general income distributions. Some LP entities are tax-exempt organizations and thus pay no tax whatsoever. See Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 43.

²⁹⁰ While this remains largely true, for a caveat please refer to Gilson, "Engineering a Venture Capital Market," 1089.

excess of the PME,²⁹¹ but it can incentivize the GP to pursue riskier strategies than an LP would want.²⁹²

Funds may be raised as general or special purpose vehicles, and GPs may be generalists or specialists to reflect this.²⁹³ They may, for instance, be dedicated to a specific phase of investment (e.g., Seed, Growth, Series A, B, C, etc.)²⁹⁴ or a broad industrial domain (climate-tech, crypto, biotech). In some cases, management companies themselves specialize in this way across a succession of funds.²⁹⁵ Different funds, GPs, and management companies therefore have different incentives, which may themselves vary depending on macroeconomic conditions, market trends, and

²⁹¹ It is worth noting that the hurdle rate adds “option-like” characteristics to the carried interest incentive. Above it was noted that carried interest aligns a GP’s interests to the fund, but because of the hurdle rate their interests may not align with LPs. LPs may simply want to beat the PME, GPs will want to maximize their compensation. This can lead GPs to pursue riskier “make or break” strategies than an LP would desire. If this is the case it may be that the GPs’ interests, although still aligned with the fund, may be less aligned with the LPs and more with the entrepreneurs. The theme of risk will be taken up further in Chapter 6. See Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 83; Gilson, “Engineering a Venture Capital Market,” 1089.

²⁹² While a riskier strategy may not align with LP interests, in many scenarios it *will* align with entrepreneurial incentives. Thus while a GP’s compensation primarily places its incentives in-line with the fund, it may not strictly align with the incentives of LPs.

²⁹³ It is not uncommon for GPs to be former entrepreneurs, engineers, or scientists with domain-specific subject matter expertise. This point will be taken up in Chapter 3.

²⁹⁴ Explained below.

²⁹⁵ For instance: “Y Combinator is an incubator and technology accelerator that invests in seed-stage startups and provides the startups with training and resources as they develop their business concepts. Y Combinator routinely hosts three-month training programs for startups and provides \$500,000 seed capital for each participating startup”; “Sequoia is a large, mostly later-stage VC investor that is behind many well-known technology companies including Apple, FTX, Airbnb, DoorDash, LinkedIn, Zoom, PayPal, and Alphabet. Sequoia has been in existence since 1972. Sequoia invests internationally and works with approximately 250 portfolio companies at any given time. As of June 2022, Sequoia has raised \$20 billion across 31 funds”; “Andreessen Horowitz (also known as “a16z”) has an industry focus on digital assets, cryptocurrency, and web3 (i.e., the third generation of the internet) startups. It has raised around \$7.6 billion in funds, including a \$4.5 billion fund announced in May 2022. Despite the downturn in digital asset pricing at the time, a16z plans to deploy \$1.5 billion in web3 seed investments and \$3 billion in venture investments at different funding stages.” See “June 30, 2022, Task Force on Financial Technology Hearing Entitled, ‘Combatting Tech Bro Culture: Understanding Obstacles to Investments in Diverse-Owned Fintechs.’”

agent expertise.²⁹⁶ Early-stage investors, for instance, are likely to want a liquidation event within the first 10 years of a startup's life, whereas later-stage growth investors might want to delay that exit to maximize the growth of the firm before exit.²⁹⁷ On the other hand, climate-tech and biotech investors both know that their investments have particularly long, capital-intense R&D cycles before they can go to market, meaning they are far less sensitive to short-run market trends than other types of investors such as those dedicated to software (which under present technological conditions has a far shorter time to market).²⁹⁸

As noted above, the term “Entrepreneur” in the phrase “VC-Entrepreneur relationship,” in terms of stakeholders, entails thinking about “startups” (i.e. portfolio firms), “founders,” and “startup employees.” Eric Ries, author of *The Lean Startup*, a book and method adopted by countless VCs and entrepreneurs around the world, defines a startup as “a human institution designed to create new products and services under conditions of extreme uncertainty.”²⁹⁹ Given the authority of Ries' voice in the industry, we shall use this as our preliminary working definition. Startups may pre-

²⁹⁶ Feld and Mendelson, *Venture Deals*, 180.

²⁹⁷ To give an example, a growth investor with a dedicated growth fund will look to invest in startups that have already established themselves and may have been in operation for five or more years. They might invest at, say, year 7 in the startup's lifetime, but still have 10 years remaining in their fund. Early-stage investors of the same company will be desperate to exit by the time the startup reaches 10 years old, but at this stage growth investors may want to hold on for another seven years given the runway remaining in their funds. The divergence of interests here will be acute during a market downturn when the returns from an exit will be lower—early-stage investors will push for exit regardless, whereas growth investors will want to bide their time.

²⁹⁸ In addition to technical hurdles, biotech and climate-tech are both capital intensive in terms of the physical infrastructure required to achieve marketability. They also both face significant regulatory and proof of concept hurdles, none of which exist for software-based (and many other) industries.

²⁹⁹ Ries, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*, 8.

exist the VC-Entrepreneur relationship (as shown in Figure 1.1) or begin co-terminus with the VC-Entrepreneur relationship. Special VC institutions known as “venture studios” exist which essentially form startups in-house, based on a general investment thesis (i.e., an idea about what kind of businesses would make a good market opportunity), that they then fund and grow—this is, for example, how the biotech giant Moderna was formed.³⁰⁰ Beyond the VC-Entrepreneur relationship the fate of a startup is, as per our definition, highly uncertain. A startup may winddown due to bankruptcy; it may be acquired by a larger company and essentially absorbed, thereby disappearing as a distinct entity; or it may become a public company and henceforth designated as a corporation.

Startups in the United States are invariably formed as “C-Corps,” a more efficient legal structure for organizations focused on business value growth as opposed to shareholder distributions.³⁰¹ First, it makes the process of issuing equity easier—not only are there no limitations on the number of shareholders that may participate, but it allows the firm to issue two classes of shares (equity): common and preferred. Common equity denotes securities representing equity ownership in a firm; they provide shareholder voting rights and entitle the holder to a share of the firm’s financial success. Preferred equity comes with control and veto provisions not available to common shareholders, including liquidation preferences that ensure preferred owners’ rights

³⁰⁰ Glasner, “With Flagship Behind It, Moderna Quickly Scaled From Startup To World-Changing Biotech.”

³⁰¹ The alternatives are S-Corps, B-Corps, and Limited Liability Companies (LLCs), all of which have different legal structures and ramifications that are irrelevant to our purpose.

take priority over common shareholders during the exit process.³⁰² Only investors (i.e. VCs) tend to be issued preferred convertible shares—startup founders and employees receive common stock.³⁰³ Second, C-Corps offer tax advantages to LPs that other corporate forms do not, in particular it allows tax protected investors to maintain that status and to avoid taxes related to “unrelated business income” or UBIT.³⁰⁴

The term “founder” pertains to the agent or agents who found startups. These are the actors most commonly associated with the term “entrepreneur” and unless a distinction is required, I shall use the terms interchangeably in what follows. Founders are the people who conceptualize the startup, come up with the business model, and provide the initial plan for its execution. VCs typically prefer a founding team to an individual founder, as this demonstrates the entrepreneur’s ability to sell their vision to others and to foster excitement in a venture.³⁰⁵ One exception is the case of serial entrepreneurs—entrepreneurs who have founded one or more companies in the past—whose reputation alone can promote investor trust.³⁰⁶ Despite founding the company,

³⁰² Veto rights are “passive” rights that can be exercised to prevent actions such as asset sales/purchases, changes in control, and issuances of equity from taking place. For example, a VC could veto a purchase of new machinery, arguing that an upgrade makes more sense. These rights allow a VC to influence capital allocation without direct managerial action. They essentially stop issues being raised at the shareholder level. Control rights, on the other hand, are “proactive” (not passive), and permit the possessor of those rights to effect change, such as replacing the CEO (which they typically can do even if they don’t have a majority of the board). In most cases the first CEO of a startup will be one of its founders. Cumming, “Venture Capital Financial Contracting: An Overview of the International Evidence,” 72–74; Gilson and Schizer, “Understanding Venture Capital Structure,” 875.

³⁰³ This class of stock is referred to as preferred *convertible* because owners of this stock may vote to convert it into common stock at a later point in time. This would typically happen during a liquidation event when common stock obtains its highest point of valuation.

³⁰⁴ Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 92–94.

³⁰⁵ Feld and Mendelson, *Venture Deals*, 213.

³⁰⁶ VC-Entrepreneur reputational aesthetics and their impact on value will be addressed in Chapter 5.

and therefore starting out as the firm's sole shareholders, upon signing a VC financing contract founders will generally be required to cede their rights to these shares and have them vested back over a predetermined, typically four-year, period. This purpose is to ensure founders remain dedicated to the venture throughout the early (and riskiest) stages of a firm's growth trajectory.³⁰⁷

A dominant definition of the term "entrepreneur" is elusive. For Israel Kirzner, the essence of entrepreneurship is the "discovery" of value; for Schumpeter, it is "innovation" (understood as the commercialization of invention).³⁰⁸ To get beyond this difficulty, I shall employ a broad definition: the entrepreneur is a mediator of production; they may be an inventor, or simply someone who puts other people's inventions to work, but what is essential is that they manage the productization of such inventions on a social scale.³⁰⁹

Finally, with the term "startup employees" I am not referring to all employees of a firm, but rather the early employees of a startup who substitute attractive salaries for equity stock options (ESOs). The vesting of these options is almost always tied to the occurrence of a liquidation event.³¹⁰ Early startup employees are often highly skilled and can command high salaries in established industries. As already noted,

³⁰⁷ Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 95.

³⁰⁸ While Kirzner distills this principle with the phrase "finders-keepers," Schumpeter does the same with the phrase "getting things done." See Kirzner, *Discovery, Capitalism, and Distributive Justice*; Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition*, 132.

³⁰⁹ By "social scale" I intend to mean that the invention will not be held for personal use but made available to others on a relatively large scale. Boutillier, "Entrepreneur and Economists."

³¹⁰ "Typically, the total equity allocated to EOPs [employee option pools] will be around 15 percent of the company, and the shares will be vested over time to ensure that employees make a medium to long term commitment to the company." Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 103.

startups are typically allocated capital in tranches tied to achievement milestones, operational costs such as payroll are therefore kept to a minimum to ensure capital is put to work on costs related to the growth of a firm (e.g. infrastructure, raw materials, software). To entice employees they could not otherwise afford, founders and VCs offer equity stakes. This aligns the interests of founders, VCs, employees with the success of the startup. The key point is that equity stakes in startups, for both founders and employees, are *deferred* based on performance outcomes generally measured by venture growth. Equity mediates growth and growth mediates equity. We will return to this point.

Agents and Principals: Problem Solving Theory and the VC-Entrepreneur Relationship

As should be ascertainable from the preceding discussion, the main challenge underlying the VC-Entrepreneur relationship is how to align the diverse incentives of self-interested stakeholders involved in a startup venture.³¹¹ Mainstream VC scholarship has tended to frame this as an agent-principal problem, and the dominant response has been to employ agency theory in addressing it.³¹²

³¹¹ The goal is to transform goal *incongruence* between VCs and Entrepreneurs into goal congruence, such that the self-interested motivations of each are compatible. De Clercq and Manigart, “The Venture Capital Post-Investment Phase: Opening the Black Box of Involvement,” 209.

³¹² Sapienza and Villaneuva, “Conceptual and Theoretical Reflections on Venture Capital Research,” 72.

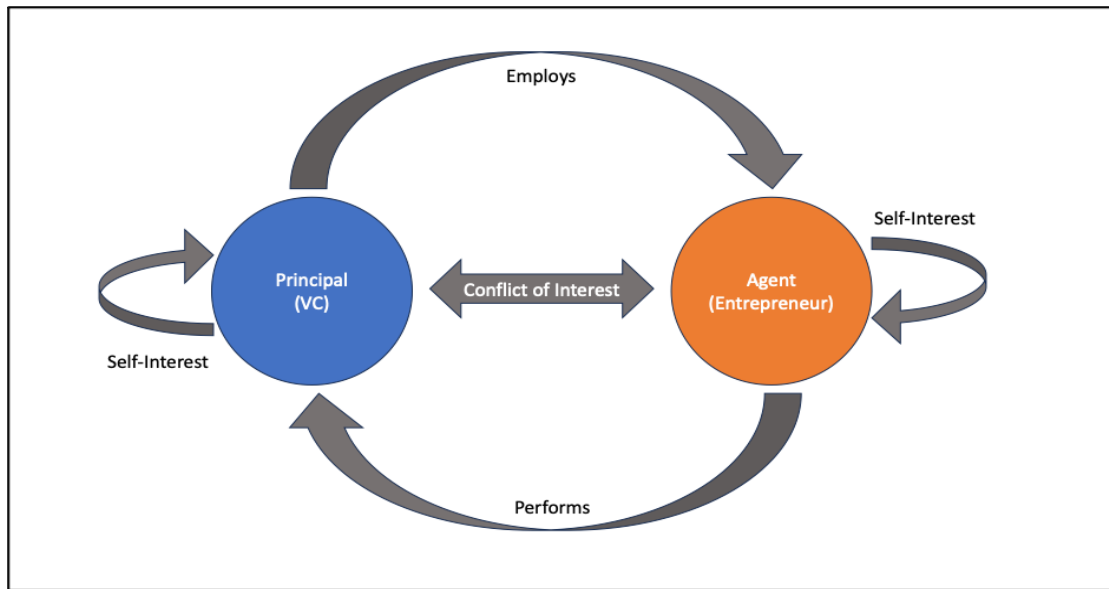


Figure 1.4 – The Agent-Principal “Problem” (Source: Author)

As can be seen from the model in Figure 1.4, in the VC-Entrepreneur relationship the principal is the GP (VC) and the agent is the entrepreneur (founders and startup employees).³¹³ An agency problem occurs when co-operation between two parties is necessary (though not necessarily sufficient) for the success of a venture, but those parties have diverging goals and desires, different attitudes towards risk, and there is a

³¹³ When looking at the VC process from the perspective of a fund, the LP would be a principal and the GP an agent; when looking at the process from the perspective of a startup, the Founder is the principal and the employees are agents. No actor is purely an agent or principal, all have both subjective and intersubjective competing roles and incentives. Famed VC Mitch Kapor on why VCs try to deceive and manipulate neophyte entrepreneurs: “You know why VCs are like this? It’s not that they are bad people; it’s the limited partners ... So if you want to point up the chain of accountability, when those people stop measuring performance just based on return numbers, things could change, because they’ll change the incentives.” Quoted in Livingstone, *Founders at Work*, 101–2.

division of labor (i.e. the principal delegates work to the agent) impeding monitoring.³¹⁴

It is ultimately a description of how conflicting self-interests in an organizational setting induce the requirement for carefully crafted incentive structures.³¹⁵

Agency problems in the VC literature fall into two broad categories, both of which are commonly associated with the insurance industry: moral hazard and adverse selection. Adverse selection refers to a situation of information asymmetry between negotiating parties (a buyer and a seller) and the subsequent possibility that a buyer may not acquire the quality they negotiated for. In the context of VC, this is specifically framed as a scenario wherein an entrepreneur does not possess the business or technical competencies required to meet pre-set expectations of venture success.³¹⁶ Moral hazard, on the other hand, implies a situation in which an agent is insulated from the consequences of their action and is thus incentivized to pursue undertakings they might otherwise not. Consequences, if realized, will be worn by parties other than the acting agents. In the context of VC, the problem of moral hazard suggests that the entrepreneur, having received capital for equity (and thus having no debt obligation), might take risks that the VC deems excessively reckless, or alternatively, might shirk their responsibilities and lower the intensity of their productive effort. The VC process exacerbates the possibility of both adverse selection or moral hazard due to the novel and often highly technical nature of a typical startup business. This means the VC can

³¹⁴ Eisenhardt, "Agency Theory," 58; Cable and Shane, "A Prisoner's Dilemma Approach to Entrepreneur-Venture Capitalist Relationships," 143.

³¹⁵ Eisenhardt, "Agency Theory," 64.

³¹⁶ De Clercq and Manigart, "The Venture Capital Post-Investment Phase: Opening the Black Box of Involvement," 196; Eisenhardt, "Agency Theory," 64.

be limited in their ability to monitor the venture due to information (or knowledge) asymmetry.³¹⁷

Whereas in general both adverse selection and moral hazard are framed as scenarios wherein the agent is a potential “problem” negatively impacting a principal, the reverse may be true in the VC-Entrepreneur relationship: a VC (principal), may, for instance, not possess the skills, contacts, or interest they express to an entrepreneur.³¹⁸ Furthermore, given that a VC invests in multiple startups, while an entrepreneur works with one or only very few VCs, the VC has a potentially significant information advantage over the entrepreneur.³¹⁹ Insulated as they are by a portfolio of investments, a VC may also be incentivized to push an individual startup towards riskier strategies, or may avoid supporting a floundering startup, deeming supportive effort an unreasonable opportunity cost (i.e., deciding their time will be better spent on other

³¹⁷ De Clercq and Manigart, “The Venture Capital Post-Investment Phase: Opening the Black Box of Involvement,” 196–97.

³¹⁸ Reputation and competency signaling will be discussed in Chapter 5.

³¹⁹ This may not be true of serial entrepreneurs who are experienced with VCs and the VC process. A notable feature of the literature written by VCs for would-be entrepreneurs is the frequent invocation of VC “traps”—ways that VCs might attempt to use their experience and information advantage to trick neophyte entrepreneurs into giving away more of their company’s equity and control than may be necessary. Consider the following from *Venture Deals*, written by two VCs: “Be careful not to fall into the first trap that VCs often lead entrepreneurs into. When a VC says, ‘I’ll invest \$5 million at a valuation of \$20 million,’ the VC usually means the post-money valuation, meaning the pre-money the VC is offering you is \$15 million. In this situation, the VC’s expectation is that a \$5 million investment will buy 25% of a \$20 million post-money company. At the same time, an entrepreneur might hear a \$5 million investment at a pre-money valuation of \$20 million which would buy only 20% of the \$25 million post-money company.” Feld and Mendelson, *Venture Deals*, 46; Mitch Kapor, himself a VC, puts it this way: “It’s just wrong, but the fact is that when the VCs do their deals and they do the paperwork, they take advantage of entrepreneurs who haven’t been through this before. They do things on terms that favor them in a way that really can’t be justified—that take advantage of their ignorance. Some of the VCs try to rationalize it, ‘This is just the way things are done.’ Well, I’m sorry but they’re wrong. Why do you think venture capital also enjoys a reputation as ‘vulture capital?’” Quoted in Livingstone, *Founders at Work*, 101.

activities or startups in the portfolio). In such a situation both adverse selection and moral hazard come together to negatively affect the entrepreneur rather than the VC.³²⁰

Several VCs frame this as a distinction between ideas and execution. The common refrain, variously expressed, is that ideas are easy, but execution is hard.³²¹ Implicit to this statement is the suggestion that while entrepreneurs—especially first-time founders—may have exceptional, world-changing ideas, it is the VCs who have the experience required to help them execute upon and thus realize those ideas. What does it mean, though, for a venture to execute successfully? We must here again consider the divergent interests of VCs and entrepreneurs. The successful realization of an idea for a founder may be simply to manifest that idea in the world, to make it a material reality; for a VC, however, the successful realization of an idea implies that idea will be implemented at a scale and rate of return wherein it will not only provide a return on the initial investment but might positively impact the fund as a whole.³²² This implies massive commercial growth.³²³ In both cases, Schumpeter's description

³²⁰ The same may be said of a founder (principal) in relation to their employees (agent). Adverse selection and moral hazard pervade the process from top to bottom.

³²¹ Tony Fadell (Nest and Apple): "It's common to see entrepreneurs and startups CEOs who have no idea where they're going ... they haven't spoken that language of execution and growth before." John Doerr (Kleiner Perkins): "Ideas are easy; execution is everything." Sam Altman (Y Combinator) "Great execution is at least ten times more important and one hundred times harder than a good idea." Tamaseb, *Super Founders*, 126; Griffin, *A Dozen Lessons for Entrepreneurs*, 48, 102.

³²² Dan Levitan (Maveron) goes so far as to suggest that it is one of the core features of a great founder that he or she "prioritizes value creation for investors." Quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 205.

³²³ Bill Gurley (Benchmark): "[Venture capital is] not even a home run business. It's a grand slam business.... If your idea is not something that can generate \$100 million in revenue, you may not want to take venture capital." Quoted in Griffin, 145; "Venture capitalists are usually looking for an enterprise with the potential to grow to a significant size quickly and to generate an annual return on investment in excess of 40% over a period of three to five years. Venture capitalists need to target that rate of return to realize the compounded annual returns of at least 20% expected by their investors." Bagley and Dauchy, *The Entrepreneur's Guide to Law and Strategy*, 439.

of the entrepreneurial function as “getting things done”³²⁴ holds, but what such “things” are may differ markedly for the entrepreneur and VC. In the case of the former, the utility of the thing will matter, whereas for the latter it will invariably be the market value of the investment.³²⁵ Undoubtedly, there will be cases in which massive economies of scale are required for the material realization of an idea. However, the question that confronts us, that we shall return to repeatedly, is whether this need be at the scale required to return a VC fund, and what this formal requirement imposes upon the content of an idea.

The Term Sheet: Capital and Control

The goal, then, in response to the problem of agency, is to align principal-agent incentives such that the self-interest of each party is tied to their goal of venture growth. The term sheet is the means by which this challenge is addressed. A VC term sheet is perhaps the most important document governing the VC-Entrepreneur relationship and has been described as the “magna carta of VC.”³²⁶ From the perspective of VC and entrepreneurs, the VC process begins with the term sheet and ends with exit (the

³²⁴ Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition*, 132.

³²⁵ This is, of course, a description of use-value and exchange-value respectively. What it is important to acknowledge for now is that the two come together in complicated ways and cannot be easily separated. Furthermore, while the entrepreneur will likely be motivated at least in part by utility, they may also be motivated by market return to a significant. The same cannot easily be said of the investor; their goal will always be to protect and maximize an investment.

³²⁶ Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 7.

liquidation event). Term sheets are contract-*style* documents; they are not legally binding, but rather symbolically and—as one anonymous interviewee put it—*morally* binding.³²⁷ They are, moreover, *reputationally* binding: to renege on a term sheet would damage one's reputation and negatively impact their future ability to operate in the VC ecosystem. Given the importance of social capital in VC, this could be career ending.³²⁸

The word “contract,” etymologically speaking, implies a drawing (*-trahere*) together (*con-*) of separate elements, which captures its dual meaning as both shortening or tightening (i.e., “contraction”) and as a binding agreement (i.e., “contractual”). We shall return to this point later in the chapter. In the context of the term sheet, however, we may think of this as drawing (or bringing) together of the divergent interests of VCs and entrepreneurs, of a convocation of these interests under an incentive structure that aligns self-interest.³²⁹ Ronald J. Gilson, writing in the *Stanford Law Review*, argues that financial contracts such as the term sheet respond to three core problems: uncertainty, information asymmetry, and agency costs.³³⁰ This

³²⁷ While the term sheet itself is not legally binding, it constitutes the basic terms of agreement between a VC and entrepreneur that are later codified in binding contracts known as “definitive agreements,” the most important of which are the Certificate of Incorporation, Stock Purchase Agreement, and Shareholders Agreement. See De Clercq and Dimov, “Venture Capital Firms: A Human Capital Perspective,” 86; Feld and Mendelson, *Venture Deals*, 40; Bengtsson, “Financial Contracting in U.S. Venture Capital: Overview and Empirical Evidence,” 486.

³²⁸ This point is addressed and supported by Cable and Shane's attempt to use prisoner's dilemma as an alternative framework to agency theory in explaining the incentive dilemmas of the VC-Entrepreneur relationship. Their argument is that agency theory inadequately accounts for the social context of interactions between actors because repeat interactions produce a trust dynamic that radically alters the possibility of both moral risk and adverse selection. This is one reason why serial entrepreneurs are treated differently in terms of both due diligence and the amount of capital they are on average able to raise. The importance of social capital will be discussed in Chapter 3; reputation and trust in Chapter 5. See Cable and Shane, “A Prisoner's Dilemma Approach to Entrepreneur-Venture Capitalist Relationships,” 147.

³²⁹ Feld and Mendelson, *Venture Deals*, 253.

³³⁰ Gilson, “Engineering a Venture Capital Market,” 1077.

characterization neatly reflects both our working definition of a startup and the basic parameters of the principal-agent problem.

New term sheets may or may not be issued for each time an additional round of funding occurs for a startup, and most growing startups will go through multiple rounds of funding (illustrated in Figure 1.3).³³¹ Rounds of funding have distinct names to signify the stage of financing, and how many rounds of funding have preceded it. Typical designations include Pre-Seed, Seed, Series A, Series B, Series C, Series D, and so on.³³² What these labels mean has been subject to change over time—much of what was once treated as a Series A financing has today become Seed; much of what was once considered Seed funding has today become Pre-Seed.³³³ This is the combined

³³¹ While possible, it is not typical for a startup to proceed from the initial term sheet through to exit with only a single round of funding. This will be most likely in instances where exit occurs by winddown and the initial investment was a failure, or in cases where a startup has only sought out external VC funding at a later growth stage (i.e. to help it prepare for an IPO or acquisition). For successful exits (IPO, M&A), where initial VC funding was issued earlier in the startup's lifecycle, the probability of exiting within a single round of funding seems unlikely given the incentives to keep the firm growing and accumulating value. As John Doerr puts it: "you are always raising money." Doerr, *Speed & Scale*, 270.

³³² Following general trends in the VC news-cycle, anything up to Series E financing appears relatively common. There are exceptions, however. Stripe, still private as of October 2023 and now in its 13th year of private funding, announced in March of 2023 that had signed agreements for a Series I round of fundraising. Stripe wants to stay private in order to avoid public scrutiny and regulation, but it is also aware that many employees with equity stock options (ESOs) were desperate for a liquidation event in order to realize their deferred capital gains. Facebook ran into a similar situation shortly prior to its own public offering and pursued a similar strategy. It is undoubtedly a trend that with a plentiful supply of private capital available for investment in growing companies, exits are being deferred and the lifetime of VC-backed startups is being extended more and more. For the Stripe announcement, see <https://stripe.com/newsroom/news/stripe-series-i-employee-liquidity>

³³³ One account of the purpose of different rounds runs as follows: Pre-Seed funding (previously Seed funding) is provided so that an entrepreneur may develop a "proof of concept" before any product or company exists (i.e. to demonstrate technical feasibility and provide an assessment of the "total addressable market"); Seed funding (previously Start-Up funding) is provisioned for product development and initial marketing (there is now a focus on business and not just technical feasibility); Series A and B is for the shift towards commercial activity such as sales, manufacturing, and growth (including employee headcount and role specialization); Series C and beyond imply that a market presence has been established, and revenue—perhaps even profitability—should be at least a goal for

consequence of a growing interest in VC investment, higher investor appetite for risk, and the availability of more private capital;³³⁴ while Pre-Seed and Seed deals present far more risk than later-stage “growth” financings, the reward (measured as a multiple of the initial investment) may be much higher, and the amount of required capital investment (in absolute terms) lower.³³⁵

Suffice to say, term sheets issued for different rounds of funding may be driven by different incentives. But to understand these incentives fully, we must also acknowledge precisely what a funding round is (regardless of its stage): a VC funding round occurs when capital is provided to a startup in exchange for an equity (i.e. ownership) stake in that firm.³³⁶ The capital raised in a funding round may be

the venture. Parhankangas, “An Overview of Research on Early Stage Venture Capital: Current Status and Future Directions,” 257.

³³⁴ One way of thinking about different rounds is the amount of money that is required for a fund. Seed funds typically have anywhere up to and including \$150 million; Series A and B (early-stage funds) \$100-200 million; mid-stage funds (growth investors) \$200 million to \$1 billion; late-stage (investment just prior to IPO) \$1 billion and above. Each type of funding naturally has its own set of special skills involved—Pre-Seed, for instance, requires far more due diligence. See Feld and Mendelson, *Venture Deals*, 9.

³³⁵ It takes less capital to move an idea into the proof-of-concept stage than it does to help a multi-billion-dollar company expand into a new market or region. But the success of an inchoate idea is far more uncertain than the success of an established firm moving an already proven product or business model into a new market. The due diligence requirements for Pre-Seed and later stage deals vary to a great degree. Whereas in the Pre-Seed stage you are referring to a pre-revenue, pre-product firm, in a Series H, say, you will be talking about profitability and established market share. Still, there is a definite trend towards Pre-Seed funds and investment. “The venture community is populated by visionary sheep ... If you’re gonna step into that real early stage, you need to be honest with yourself in terms of asking, ‘Do we have the expertise and the resources to take a raw idea and shape it into a viable fundable business?’” Investor Bob Ackerman quoted in Brewster, “Accelerators See a Spike in Interest as VCs like Sequoia and Accel Look to Bulk up Seed Stage Investing”; Gao, “Introducing the Pre-Seed Dataset.”

³³⁶ While it is implied that capital here means money, this may not always be exclusively the case. Technically speaking, capital denotes nothing more than the means of production, of which money is one, albeit universal, form. It has become increasingly common for investors to offer other forms of capital in addition to money to aid the establishment and growth of an entrepreneurial venture. Other forms of capital typically include infrastructure such as lab space for young biotech firms and compute power “credits” for AI firms (both of which are typically cost prohibitive for small firms).

provisioned to the entrepreneur in its entirety upfront, or it may be broken into tranches tied to milestones, with each tranche issued as and when milestones are achieved.³³⁷ Each time a round of funding occurs, an additional part of the company is sold to external investors. The expectation is that the capital will be used to grow the venture and thus grow the value of that equity stake.³³⁸ The younger a firm is, the lower its value, the greater the uncertainty, the cheaper its equity, and the greater an investor's expectation of growth.³³⁹ To give an example, Peter Thiel's early (2004) investment in Facebook allowed him to purchase 10.2 percent of the company for \$500,000. When Facebook went public in 2012, that same equity stake was worth in excess of \$10 billion.³⁴⁰ Early-stage investors in a startup therefore typically acquire as much equity as they can for as little capital as possible, while later-stage investors pay far more for far less. This creates a conflict of interest between both early- and late-stage investors

³³⁷ This is to reduce risk for the investor, and to ensure the capital-equity exchange leads to pre-established growth targets. It is sometimes referred to as an "abandonment option," for it allows the VC to abandon entrepreneurs who do not meet their expectations or need. Bengtsson, "Financial Contracting in U.S. Venture Capital: Overview and Empirical Evidence," 486.

³³⁸ As Scott Kapor reflects based on his own experience, in some respects VC money appears free, because valuations for young companies can be very high and are generally unsubstantiated by revenue or profits, but on the other hand this money is not free because it comes with expectations of significant growth in return for that money. The value represented by an equity stake is thus mediated by growth, this will be crucial in the argument that follows. Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 15.

³³⁹ James Currier (NFX), speaking at a startup conference in 2023, suggested seed investors need a *minimum* return of 60 times (60x) their initial capital or there is no impact on the fund. What they *want* is 200x. A Series B funding round, on the other hand, might be looking for a 10x return. James Currier, "Which Founders are VC-Backable?" *TechCrunch Disrupt*, San Francisco, September 20, 2023.

³⁴⁰ Of course, in 2004 no-one knew Facebook (now Meta) would grow to the size it did—even Thiel thought the growth potential of the site was limited to usage across college campuses. Thiel's stake, if he had kept it, would be worth \$80 billion in 2023. Thiel and Masters, *Zero to One*, 50.

and between investors and founders (who want to sell as little as their company as possible in exchange for as much capital as possible).³⁴¹

Estimates vary, but it is generally agreed that the first two rounds of funding will see 15 to 30 percent of a firm's equity ceded to investors, with this percentage dropping in each subsequent round (assuming the firm exhibits stable growth). This 15 to 30 percent is often sold to a syndicate of VCs rather than a single investor. Syndicates are always led by a lead investor who will, in general, take anywhere between half and a third of the total equity provision for that round with the remainder going to smaller investors.³⁴² In each subsequent round of funding, the equity stake of founders and existing investors has the potential to diminish. This is known as dilution.³⁴³

³⁴¹ Founders are not unwarranted in this demand. It is not uncommon for biotech founders to end up with as little as 5 percent ownership by the time their company goes public (if at all). The founders of Juniper Networks, a well-known tech company, ended up with only 11 percent of the equity at exit; the founder of Pandora, a music streaming service, ended up with a little over 2 percent. Excessive equity sales are common, and sometimes this can be the result of predatory investment practices and acute information asymmetry between an experienced VC and first-time founder. See Conde, "Biotech Researchers Venture into the Wild to Start Their Own Business | TechCrunch"; Nicholas, *VC*, 287.

³⁴² For example: A startup firm valued at \$3 million (pre-money valuation) seeks out \$1 million in VC. This boosts the firm's value to \$4 million (post-money valuation), with the VCs obtaining 25 percent of the firm's equity. Assuming the VC investment came from a syndicate, we could estimate that the lead investor ended up with anywhere between 8.3 and 12.5 percent of the firm's equity, with the remainder going to other minor investors. Tamaseb, *Super Founders*, 233.

³⁴³ Arguably, dilution mainly affects founders who own all outstanding equity and must sell more and more of the remainder in each subsequent round. However, founders may also issue new shares, thereby *diluting* the existing stock by making the total volume of shares of a company greater. Consider the following example: a founding team issues 1000 common shares, reserving 750 (75 percent) for themselves and selling 250 (25 percent) to investors in return for Seed funding. At a later date the founders issue 500 *new* common shares, bringing the total outstanding shares up to 1500. Prior to any additional sales, the equity percentage stakes of existing investors (250 shares) is now worth only 15 percent of the total value of the firm. However, assuming a new round of funding has placed a higher value on the firm, existing equity stakes will be worth more in absolute terms, even though they constitute a lower percentage proportion of the overall equity issued by a firm. Investors can be protected against this by so-called anti-dilution provisions in the term sheet, as well as through special preferred share provisions.

The key factor determining how much of a company is to be sold in exchange for capital is the value of the company at the time of financing. If a startup's market value is continuously increasing, then a lower percentage of equity will need to be sold during each subsequent round of funding to obtain the same amount of money capital.³⁴⁴ Equity is thus a representation of the value of the firm, and for the value of equity to grow it is implied that the firm must also grow. When a startup's value *decreases* between funding rounds, this is known as a "down round." It is particularly undesirable not only because it represents slowing or negative growth and sends negative signals to the market, but because it means founders and existing investors must sell more of the company for the same or less capital than was received in a previous round.

With these preliminaries in place, we can now explore the broad features of the term sheet itself. While there is neither the space nor need to outline every component of a model term sheet,³⁴⁵ the general point of consensus is that term sheets contain two broad categories of provision—one addressing matters of economics, the other governance and control.³⁴⁶

³⁴⁴ Assume the same firm is valued at \$10 million during a Series B funding round. In this example, to obtain the same amount of capital it did in the first round (\$1 million) it would need to sell the equivalent of 10 percent of the company rather than 25 percent as in the first round.

³⁴⁵ While term sheets can vary greatly in terms of content, model term sheets do exist and are frequently used. An anonymous interviewee informed me that at least one of the most storied law firms in Silicon Valley uses the NVCA model term sheet and that this is increasingly becoming a standard. The way that term sheets are codified into definitive agreements, however, tends to be specific to the law firm. The NVCA's model legal documents can be viewed at <https://nvca.org/model-legal-documents/>

³⁴⁶ This is not my own analytic distinction, but rather a common understanding shared by VC practitioners and academics. See, for example, Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 140–88; Feld and Mendelson, *Venture Deals*, 41–91; Cumming, "Venture Capital Financial Contracting: An Overview of the International Evidence," 72.

The economic provisions of a return sheet outline the VC investment, startup valuation, shareholder liquidation preferences, employee stock options, founder shares, and vesting. In short, it outlines who owns what, how much they own, how much ownership costs, and how this ownership will be transferred. It is generally concerned with the distribution of equity (i.e., shares of ownership) and pays little to no heed of dividends. This is a representative feature of what distinguishes the VC's economic operations from other forms of finance, including PE.

VCs will in most cases purchase series-specific *preferred* shares (e.g., Series A preferred, Series B preferred, etc.), each of which may come with their own term provisions.³⁴⁷ These are distinct from the common shares that founders and employees hold but are converted into common shares during a liquidation event. Despite differing terms (and incentives) between the preferred series shares, all preferred shareholders must vote as a group (simple majority) concerning proposals to convert to common shares.³⁴⁸ The term sheet lays out up front how preferred shares will be handled (and

³⁴⁷ Preferred Convertible Shares are by far the most common form of security issued during VC financing in the US, whereas in other regions such as Canada alternatives such as convertible debt predominate. In this dissertation I am treating such regions as derivative to the US VC industry and as such will not be considering such details unless they produce markedly different outcomes or alter the VC process model I am presenting. As VCs commonly participate in subsequent rounds of funding once they have made an initial commitment, it is common for a VC to hold multiple rounds of preferred shares each of which have their own provisions. See Gilson and Schizer, "Understanding Venture Capital Structure."

³⁴⁸ Regardless of the class of shares (i.e. common, preferred), every shareholder typically has one vote per person. Dual class stock does exist though – sometimes founders want more votes per share to ensure control over significant decisions. Shares are, unless otherwise stipulated by antidilution provisions, converted on a one-to-one basis (i.e. one preferred share is converted to one common share). Conversion provisions in the term sheet may stipulate that in the case of an IPO (which, recall, is technically not a liquidation event) sufficient market capitalization and liquidity must exist for preferred shareholders to be forced to accept the conversion. Market capitalization is important as there needs to be enough capital left after shares are sold to the public; higher market liquidity is important to ensure the sale of common shares on the open market does not bring down the stock price. See Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 161, 163, 168.

preferred) during a liquidation event via what are known as “liquidation preferences.” These are perhaps most important in situations where the company may be sold for the same or less than the amount of capital invested because they determine who receives distributions from the diminished returns (if any remain at all).³⁴⁹ These provisions take two forms, participating and nonparticipating, and include a multiplier (1x, 1.5x, 2x, etc.). Nonparticipating preferences authorize the holder to take up to the multiplier value of their original monetary stake *or* to convert their shares to an equivalent percentage of common stock, whichever is higher; participating shares authorize the holder to take up to the multiplier of their original monetary *and* to convert their shares into common stock at the equivalent percentage. Participating preferred may therefore be considered “double-dip” provisions.³⁵⁰ An example: A VC purchases 20 percent of a startup’s equity in preferred shares valued at \$20 million (implying a company valuation of \$100 million). The company is later sold for \$200 million. If the preferred shares were “1x nonparticipating,” the VC would either receive \$20 million for their preferred,³⁵¹ or convert those shares into 20 percent of the common stock, which is now worth \$40 million. If the preferred shares were “1x participating,” however, the VC would receive \$20 million and then be able to take 20 percent of the remaining \$180

³⁴⁹ Feld and Mendelson, *Venture Deals*, 54.

³⁵⁰ Sabeer Bhatia, co-founder and developer of Hotmail, describes how their VCs, shortly before the company was acquired by Microsoft (at a point in which they knew the acquisition was likely), put \$5 million dollars into the company as “bridge” funding, with a participating preferred clause, knowing full-well the company was about to be acquired. It was bridge money the Hotmail team (Entrepreneur) needed while they carried out negotiations, and thus they were coerced into accepting the VC’s terms. As Bhatia puts it: “They knew full well that we were going to get acquired; we were negotiating about the final price.” quoted in Livingstone, *Founders at Work*, 21.

³⁵¹ If the multiplier was 1.5x they would receive \$30 million, if 2x \$40 million, and so on.

million in common stock (now valued at \$36 million) for a total of \$56 million—more than half of the proceeds. As can be seen, common shareholders including founders, in each case, are to receive distributions based only on what remains after investors have been taken care of. This can have dire consequences for founders if a firm is either sold for less than the capital invested or for less. Consider a scenario in which the same firm is sold for \$20 million. In this case, the investors would in all scenarios take all proceeds leaving the founder with nothing.³⁵²

As should be apparent, how liquidation preferences are handled is contingent upon both the value of equity at the time of purchase and the growth in value of that equity at the time of sale. It is for this reason that greater than 1x multiples are possible for preferred shares—later-stage investors may desire these to ensure there is a return on capital in the event the firm experiences a liquidation event before significant growth can occur.³⁵³ How a valuation is agreed upon, though, is a matter of contention. Founders will seek the highest valuation possible at every opportunity to ensure the least equity is sold for the highest price (and thus capital provision); new investors will always seek the lowest valuation to ensure the reverse; existing, repeat investors (if they exist) will be caught between the desire to see a higher valuation (thus ensuring their existing stake has been valorized and future rounds do not give too much equity for too little while diluting their existing stock) and the desire to see a lower valuation

³⁵² While preferred is always prioritized before common shareholders, how preferred shareholders are prioritized amongst each other depends on whether liquidation preferences are ordered by “seniority” (which take their preferences first) or *pari passu* (which means all preferences are treated equally). This will be negotiated for each term sheet and is one reason why preferred shares are series specific. Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 157–58.

³⁵³ Kupor, 156.

so that they may obtain additional equity for less capital.³⁵⁴ Given the novelty and often inchoate business plan of startup businesses, traditional methods of corporate finance valuation—comparable company analysis, discounted cash flow analysis—are not generally applicable. VCs (and founders) therefore typically use estimation strategies based on relatively subjective measures such as the stage of the company, investor interest in the company,³⁵⁵ founder experience,³⁵⁶ size and trendiness of the market, suggested growth projections (e.g., customer acquisitions, future revenue, etc.), and current economic conditions.³⁵⁷ Term sheet valuations will, furthermore, be specified as either pre- or post-money, and multiple commentators have suggested this distinction may be used by VCs to “trick” founders into selling their equity at a lower price than they assume.³⁵⁸ One area founders need to be particularly wary of is the employee stock option (ESO) reservation. While no standard exists, ESOs can amount to between 10 and 20 percent of total firm equity, and while the incentive is for founders to minimize this allocation upfront, VCs will conversely want to maximize the

³⁵⁴ Sabeer Bhatia, cofounder and developer of Hotmail, describes how their VC held them to ransom on a valuation, knowing they were about to run out of money and without financing would not be able to service payroll. The VC got a lower valuation as a result of this brinkmanship. Livingstone, *Founders at Work*, 24.

³⁵⁵ VCs are well-known to be susceptible to “FOMO.” This has led certain guidebooks to reassert the platitude that the best way for a founder to negotiate is to have multiple interested investors. Feld and Mendelson, *Venture Deals*, 51.

³⁵⁶ Serial entrepreneurs receive higher valuations on average. Feld and Mendelson, 52.

³⁵⁷ Comparable company analysis involves finding a similar publicly traded company and comparing it with the company being valued. The novelty of many startups precludes this method. Discounted Cash Flow analysis involves calculating the combined value of future cash flows and discounting them to their present value. Given many startups are pre-revenue and most are pre-profit, this method is also precluded. Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 149–53.

³⁵⁸ Feld and Mendelson, *Venture Deals*, 45–47; Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 147.

allocation and avoid their investment being diluted at a later stage.³⁵⁹ Nevertheless, ESOs are an important mechanism for both attracting and retaining quality startup employees. The term sheet will outline how these shares are to be vested in the advent of a liquidation event.³⁶⁰

The second major group of term sheet provisions are variously described as control or governance related. These provisions often allow VCs, even as minority shareholders, to exert significant control over a startup firm, and are the second feature of VC that makes it distinct from other forms of finance.³⁶¹ Control provisions generally relate to board composition and to how certain decisions are voted upon, including hiring and firing a CEO or C-Level executives, raising money, setting budgets and approving large expenditures, and approving liquidation events (including IPOs). A standard three-member board will include a CEO (who is often also the founder, but need not be), a VC,³⁶² and an outside executive; a standard five-member board will include a CEO (again, may be a founder), a founder, two VCs, and an outside executive.³⁶³ Even though they may own less than 50 percent of the firm, preferred

³⁵⁹ Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 154.

³⁶⁰ The vesting of both founder and employee shares tends to be accelerated at a liquidation event. The term sheet will specify whether this acceleration is a single or double trigger event. A single trigger implies that all shares will be vested immediately when the event occurs, but this can incentivize founders and employees to leave immediately upon this event. For a potential acquirer, who will be purchasing the firm for its human as much as its productive capital, this may be undesirable. A double trigger clause that retains some unvested equity to help motivate workers post-acquisition. Feld and Mendelson, *Venture Deals*, 68–69.

³⁶¹ Although this is relatively in line with how private equity firms may operate, control provisions are not something “Wall Street” financiers are generally concerned with.

³⁶² In a syndicated investment scenario the lead investor will typically take the board seat made available. Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 171.

³⁶³ Kupor, 171–73; Feld and Mendelson, *Venture Deals*, 80.

shareholders (e.g. VCs), can replace the CEO, and this includes the ability to depose a founder.³⁶⁴ By replacing the CEO they are also replacing the board member, which in theory gives them the opportunity to take majority board control.³⁶⁵ Thus, even though it looks like a VC has mere *influence* over the board of a startup firm, they can, in practice, obtain near full control should they wish to do so.³⁶⁶

Whereas a board member has a fiduciary duty to vote and act in the interests of both preferred *and* common shareholders, preferred shareholders who are not on the board do not have the same obligation.³⁶⁷ This is significant, because preferred shareholders possess a number of protective provisions in the term sheet that give them veto rights over key actions relating to the startup firm, including changing, buying, or selling existing equity allocations, selling the firm, changing the size of the board (which can in itself change the firm's control dynamic), taking on debt, declaring bankruptcy, and licensing away IP.³⁶⁸ These rights, in short, are about protecting the economic interests of preferred shareholders, and they can create issues if minority shareholders have an outsized influence over company decisions. Consider: a later-

³⁶⁴ Data shows that only a third of venture-backed companies still have a founder as CEO at the time of going public. Gompers et al., "How Do Venture Capitalists Make Decisions?," 171.

³⁶⁵ There are term sheet provisions to ensure the founder does not take their board seat with them upon termination. Such a situation is known as "ruling from the grave." Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 171.

³⁶⁶ Paul Graham, founder of Y Combinator, on the contradictions of taking VC money as a young startup: "I'd rather have an investor who invested in us and made our lives hell than one who didn't invest in us at all ... I mean, we needed their money to grow the company, and some amount of stress always comes with the money. In retrospect, I think it was more about control than money. They weren't trying to rob us so much as take over the company ... The point was, we'd have to do what they said from then on, or lose them" Quoted in Livingstone, *Founders at Work*, 216.

³⁶⁷ Feld and Mendelson, *Venture Deals*, 85–86.

³⁶⁸ Feld and Mendelson, 81–82.

stage investor may be, in terms of their percentage equity ownership, a very small owner, but in terms of the dollar amount invested (given the appreciation of equity value) a large investor. In such a situation, their economic incentives may diverge significantly—an acquisition offer, for instance, may provide early investors with a huge multiple on their investment, but only able to provide later-investors with their money back. With excessive veto rights these later-stage investors could stop the acquisition even though they own only a small percentage of the company.³⁶⁹

Other notable control provisions include: drag-along clauses (that ensure preferred shareholders can force other common shareholders to accept a corporate decision, including a sale); pro-rata investments that give VCs the right (but not the obligation) to purchase a pro-rata amount of shares in future financing rounds (to avoid dilution); stock restrictions (that restrict or determine who a common shareholder can sell their shares to); indemnification clauses (absolving preferred shareholders from liability); vesting stipulations (to ensure employee and founder retention and motivation); and a “founders activities” clause that stipulates a founder must devote 100 percent of their professional time to the venture. While the minutiae of these clauses is unimportant, the general theme matters intensely: every provision serves to protect the preferred shareholders (i.e., the VCs) but *not* the common shareholders (i.e. the entrepreneur). Once a term sheet has been signed, the venture is effectively controlled by VC interests and incentives.

³⁶⁹ Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 174–75.

II. THE VC-ENTREPRENEUR RELATIONSHIP: A CRITICAL THEORY ACCOUNT

Rethinking Incentives

“(Interviewer): You must have been displeased with your investors for doing that to you.

(Paul Graham): Well, everybody ended up rich, so it’s hard to be too displeased. I’d rather have an investor who invested in us and made our lives hell than one who didn’t invest in us at all, which is what most investors do to most startups. I mean, we needed their money to grow the company, and some amount of stress always comes with the money. In retrospect, I think it was more about control than money. They weren’t trying to rob us so much as take over the company. They were offering us quite a lot of options. The point was, we’d have to do what they said from then on, or lose them.”³⁷⁰

~Paul Graham, *Founders at Work*, p.216

Up until this point, we have been exploring the VC-Entrepreneur relationship through the lens of orthodox (i.e., problem-solving) theorizing in the prevailing VC practitioner and scholarly literature. This has left us, however, with several questions: why do entrepreneurs submit to VC control in the way they do? How do provisions in the term sheet and VC process alter the entrepreneurial process? How do all the diverse self-interests align in mutually beneficial ways even though venture capitalist interests are prioritized? What is the common goal towards which all incentives must and can align?

³⁷⁰ Livingstone, *Founders at Work*, 216.

In the second part of this chapter, I want to explore these questions from a critical theoretical perspective, taking into account the logical implications of the VC-Entrepreneur relationship from a more global and holistic perspective while simultaneously attending to the fact that this relationship forms the boundary of inquiry for this chapter.

As should be apparent, the common theme underlying the VC-Entrepreneur relationship, as it is addressed by the agent-principal problem and by term sheet provisions, is *incentives*—how self-interested actors can be incentivized to work towards a common end: venture growth leading to massive returns for owners of equity stakes. The incentives of different actors pertaining to VC and the entrepreneur are detailed in Table 1.1.

As can be seen from both the structure and content of the table, VC-Entrepreneur incentives are not static, but rather adjust over time. That is, there is a temporal dynamic that alters the incentives for different actors depending on when they enter a given instance of the process (i.e., a specific investment) and how long they have been embedded within it. At the same time, this temporal dynamic is demonstrably finite, in that we can clearly identify “early” and “late” actors and incentives. Thus, this temporality must have both an identifiable beginning and end point. How we characterize this beginning and end point, however, depends on whether we are looking at the VC process from the perspective of a single instance of the VC-Entrepreneur relationship (i.e., an individual startup and investment) or the perspective of the fund (i.e., a portfolio of investments, and the inclusion of additional actors such

as LPs). In this chapter, we are only exploring the former (the latter will be dealt with in Chapter 2). We can for the time being, therefore, simply restate what was already expressed in the first section of this paper: the VC-Entrepreneur relationship *begins* with the term sheet and *ends* with exit.

A second feature of the table that stands out is the alignment of incentives towards maximizing valuation growth prior to exit. That is, the goal of all actors is to receive a massive return on their equity stake at the point of exit, and thus all incentives are drawn towards the imperative of growth in the time in-between. The intensity of this imperative grows, however, as the process develops—as more stakeholders enter the fray with actor-specific return targets, all of which are contingent upon growth. In other words, growth must occur and be symbolically represented in the valuation of equity before an exit occurs so that monetary returns can be realized in exchange for this equity at the point of the liquidation event.³⁷¹

Finally, all incentives are organized toward the formal output of the venture in terms of equity and growth. That is, the *content* of the thing is subordinated to its form; incentives are structural features of the VC process that are a precondition to the substance of any given startup. Put one way, the exchange value of the startup firm itself supplants the exchange or use value of whatever it is the startup firm produces,

³⁷¹ Both equity (E) and the initial monetary investment (M) may be characterized as “fictitious capital.” Consider: “The potentiality for ‘fictitious capital’ lies within the money form itself and is particularly associated with the emergence of credit money. Consider the case of a producer who receives credit against the collateral of an unsold commodity. The money equivalent of the commodity is acquired before the actual sale. This money can then be used to purchase fresh means of production and labour power. The lender, however, holds a piece of paper [i.e. equity], the value of which is backed by an unsold commodity. This piece of paper may be characterized as fictitious value.” This piece of paper Harvey, *The Limits to Capital*, 267.

and in doing so reduces—subordinates even—the specific character of any given product to its utility as a means of growth. Put another way, the structural (or processual) nature of incentives means that not only the choice of what an entrepreneur desires to produce but *all* the independent wishes of actors are subordinated (potentially even negated) by the incentive structures that tie actors to the ultimate goal of equity value growth. That is, all actors are reduced to their formal role in producing equity growth. This is the significance of the provisions protecting against adverse selection and moral hazard: if the product does not produce value growth, pivot; if the CEO does not produce value growth, replace. Moreover, if exit by winddown represents better value than an acquisition, or an acquisition better than an IPO, pursue it. The product, the people, and the exit are all reduced to their formal arrangements.

	Pre-Investment	Post-Investment		
	Pre-VC Incentives	General Incentives (All Years)	Early-Stage Incentives (Years 0–5)	Late-Stage Incentives (Years 6–10 or more)
General Partners (GPs) (Pre-Seed, Seed and Series A, B, C)	- Fundraising from Limited Partners (LPs) - Maximize size of fund (and 2% management fee) - Seek best new startup opportunities (deal-flow) - Network to find best human capital resources - Avoid missing out on “next big thing” - Identify startup investments that can return the entire fund	- Minimize Pre- and Post-Money Valuation - Maximize ownership (equity provision) - Link capital provision to milestone achievement (to maximize growth and performance) - Fulfill fiduciary duty to Preferred and Common Shareholders - Obtain board seats - Obtain and maintain preferential liquidity preferences - Ensure executive competence (replace if necessary) - Protect Preferred Shareholder Interests - Protect Common Shareholder Interests (if a board member) - Maintain reputation for future deal-flow - Grow portfolio firms quickly	- Prioritize growth over revenue or profits - Grow firm - Grow value of investment - Maximize return on investment (ROI) for individual firm - Maximize size of Employee Option Pool (10–20%) - Minimize / Avoid Agent Moral Hazards - Protect Preferred Shareholder Interests - Protect Common Shareholder Interests (if a member of the board) - Avoid positive cash flow - Negotiate simple liquidation preference with no participation	- Minimize Dilution - Exit above hurdle rate (minimum return required to receive carried interest) - Maximize return on investment (ROI) for portfolio and fund overall - Maximize return on Fund (at least 500–800 basis points on standard indices) - Fundraising from Limited Partners (LPs) for next fund - M&A for some firms (i.e., those seeing declining internal rates of return) - IPO for some firms - Path to revenue/profitability - Minimize > 1x liquidation preferences or preferences with participation
General Partners (GPs) (Growth Investors, typically Series D, E)	- Fundraising from Limited Partners (LPs) - Maximize size of fund (and 2% management fee) - Identify promising new ventures with viable products, large markets, and room to grow - Time investments to complement macroeconomic trends	- Minimize pre-money valuation - Maximize ownership (equity provision) - Maximize post-money valuation - Fulfill fiduciary duty to Preferred and Common Shareholders - Obtain preferential liquidity preferences - Ensure executive competence (replace if necessary) (typically) Obtain board representation (governance/control) - Protect Preferred Shareholder Interests - Protect Common Shareholder Interests (if a board member) - Maintain reputation for future deal-flow	- Prioritize growth to maximize equity value - Grow value of investment - Minimize Agent Moral Hazards - Path to revenue/profitability	- Fundraising from Limited Partners (LPs) for next fund - Maximize exit valuation for firm - Maximize fund return on investment (ROI) Delay exit? - Path to revenue/profitability - M&A for some firms (i.e., those seeing declining internal rates of return) - Negotiate > 1x liquidation preferences in case of quick liquidation (no growth)
Startup Founders	- Seek financing (Angel, VC, Debt) - Seek employees - Networking - Customer / Partner Acquisition - Develop / Realize Idea (use-value)	- Maximize Pre-Money Valuation - Survive (stay solvent, continue growing, achieve viability) - Paybills (payroll, invoices, debt obligations) - Achieve milestones to receive additional capital - Prioritize corporate mission over self-interest - Establish employee loyalty Attract top talent substituting equity for income (reduce cash burn) - Maintain corporate control (executive and governance) - Protect Common Shareholder Interests - Maintain reputation for serial entrepreneur status - Maintain 1x liquidation preferences for investors	- Prioritize growth over revenue or profits - Grow firm - Iterate or Pivot to achieve Product-Market Fit - Obtain full vesting of founder equity (M&A Accelerates) - Negotiate simple liquidation preference with no participation	- Achieve Product-Market Fit - Grow revenue streams - Find path to profitability - Successful Exit - Balance equity financing with debt - Find “acquire” opportunity (if IPO not likely) - Adopt and manage increasingly risky strategies to exceed preferred liquidity preferences - Minimize late-stage investor governance/control
Startup Employees	- Negotiate generous stock options (allocation/price) - Be part of something exciting (technology, product, idea)	- Prioritize corporate mission over self-interest - Maintain reputation for future employment (head hunting) - Defer short-term income for long-term equity wealth	Work hard to obtain recognition, notable position in firm	Liquidation events to obtain equity-cash exchange

Table 1.1 – VC-Entrepreneur Incentives (Source: Author)

The General Formula for Venture Capital

Based on the above, we are now in a position to examine a first cut of the VC process as a formulaic expression. This is illustrated in Figure 1.5.³⁷²

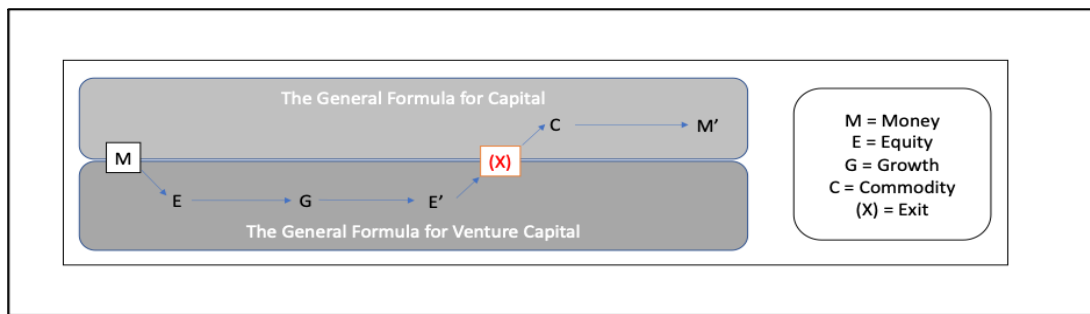


Figure 1.5 – The General Formula for Venture Capital (First Cut) (Source: Author)

As can be seen, the VC process can be represented as a subroutine of Marx's general formula for capital, hence I am describing this model as the general formula for venture capital. In Marx's original formalization, capital accumulation occurs when money (M) is used to buy the raw materials and labor power used to produce commodities (C) which are then sold for a greater sum of money (M'). The difference between the initial M that began the process and the M' that ends it is considered net profit. And to continue acting as capital the money accumulated (M') must be reintroduced into the

³⁷² This formalization illustrates the VC process as it applies to a single firm. In reality, the VC process entails a portfolio of firms financed by a fund and returning to that fund. This will be illustrated in Chapter 2 when we address the topic of a VC portfolio and equity returns as they apply at the level of a fund.

process to begin the cycle anew. Marx's general formula for capital may be expressed as $M—C—M'$.³⁷³

In the expanded formula, money (M) is used to purchase equity (E) which is used to facilitate *growth* (G). This growth increases the value of the equity (E'), which now stands as the benchmark valuation for any future financing (M—E). The pattern may thus be repeated with growth (G) mediating the ratio of exchange between investment (M) and startup ownership (E). Eventually, the VC process will be exited ((X)) and equity (E/E') will be converted into a form tradeable on the open market (C).³⁷⁴ In a successful scenario (i.e., from a shareholder's perspective) the open market exchange will return more money than was initially invested (M'), allowing investors to begin the circuit anew.

End to end, the formula may be expressed $M—E—G—E'—(X)—C—M'$. From the perspective of the VC-Entrepreneur relationship, however, the process ends at the point of exit ((X)), at which point a VC will typically divest themselves of all interest in the firm.³⁷⁵ Exit ((X)) thus forms a breakpoint between the general formula for venture capital and the general formula for capital. It produces, as such, an *internal*

³⁷³ Marx, *Capital*, 247–57.

³⁷⁴ In a successful exit (M&A, IPO) this will imply the conversion of preferred shares into common stock (a commodity) which may be sold to an acquiring company or public (including institutional) investors in exchange for cash. In a bankruptcy winddown scenario, corporate assets (commodities) would be sold to recoup cash, nonconvertible debt obligations would be served first, and then any remaining cash would then be distributed according to the liquidation preferences of preferred shareholders, followed by common shareholders (based on the percentage owned) if any money remains. Equity (E) does not become a commodity (C) until it can be bought on the open market (and not just by accredited investors).

³⁷⁵ While this is typical, alternatives such “crossover” investing and “evergreen” funds do exist. See Woodman (2021)

relation of VC to itself (coterminous with the VC-Entrepreneur relationship and represented $M—E—G—E'—(X)$), and an *external* relation between VC and the capitalist system (represented $M—E—G—E'—(X)—C—M'$, which includes both the GP-LP relationship and VC's relationship to public and private equity markets). As the focus of this chapter is the VC-Entrepreneur relationship, the present analysis shall therefore be limited to a consideration of the sequence $(M)—E—G—E'—(X)$.³⁷⁶

Several implications follow from the general formula for venture capital. To begin with, as a breakpoint between the internal and external form of the general formula for venture capital, exit ((X)) lies not within one scheme or another, but in both. This means exit itself has both internal and external functions. It also implies that while the general formula for capital ($M—C—M'$) is excluded from the internal form of the general formula for venture capital, it is not ignored. It is, as such, spectrally projected through the symbolic filter of exit. Given that exit represents a temporal marker, the *end* of the VC-Entrepreneur relationship, we can infer that the sequence excluded by the internal form of the general formula for venture capital (which coincides with the general formula for capital $M—C—M'$) is a temporal exclusion—or, more accurately, it is a temporal displacement that we may describe as a *deferral*.³⁷⁷

³⁷⁶ Money (M) is inserted into parentheses because, like exit, it is part of both VC's internal and external relations. Money (M) in this chapter's treatment will be limited to the provision of readily available cash. Arguably, money (M) in this sequence represents a process that includes GP fundraising from LPs and thus introduces an additional relationship to that of the VC-Entrepreneur. However, the treatment in this chapter will exclude fundraising and treat money (M) as simply a relation between a VC (GP) and Entrepreneur. Chapter 2 will address the GP-LP relationship and the external relation between VC and the capitalist system.

³⁷⁷ It is a deferral into the future because it is displaced to beyond exit, and symbolizes the *end* of the VC-Entrepreneur relationship. From the perspective of the VC-Entrepreneur relationship, the end (exit) must always be in the future. If it is not, then the VC-Entrepreneur relationship is no more.

Because exit ((X)) is a symbolic marker of the threshold between both the internal and external modes of the VC process, it thus represents the imperative for profit that is central to the general formula for capital (i.e., C—M'), but as a future event rather than present imposition. In the time of the VC-Entrepreneur relationship, the general formula for capital—what I will interchangeably refer to as the *law*³⁷⁸ of capital—is, as such, temporarily suspended, but at the same time hangs like the sword of Damocles over the general formula for venture capital.

A second implication of the general formula for venture capital is that unlike in the general formula for capital, the immediate product is not the commodity (C), but growth (G). While it may be assumed that valorized equity (E') is the product, this is not accurate. Equity is rather an abstract and universal representation of value, expressed as a symbol of growth. Equity is essentially an asset, an entity with “a particular temporal structure [that] requires an upfront investment of ... funds and is meant to generate returns over a particular future timeframe.”³⁷⁹ As a temporally structured investment, equity obtains value from a particular type of actual and implied *movement*, and that movement is growth. Thus equity (E/E') is the representation of

³⁷⁸ Although Marx does not refer to the general formula for capital as a law, I shall do so throughout this dissertation in order to capture both the compulsion of capitalism's need for profit and its punitive function in disciplining would-be capitalists who do not achieve profit that can serve as accumulated capital. Logically speaking, if money (M) is not at some point valorized as profit (M'), then it can no longer be capital. While VC is able to suspend or defer this requirement, it cannot dissolve it if it is to remain part of the capitalist system. Failure to obey this law will result in punishment by figurative death—failure to survive as a capitalist. Obeying the law, however, entails pursuing a valorization strategy that must include the extraction of surplus value. Thus, certain extractive behaviors cannot be avoided if one is to avoid figurative death. Put together, the general formula may be understood as a “law” for three reasons: it is unavoidable and cannot be ignored; it compels certain desirable behaviors; it punishes any failure to comply. It is, as such, a field of *necessity*. We shall return to this point.

³⁷⁹ Adkins, Cooper, and Konings, *The Asset Economy*, 17.

value, while growth (G) is its substance.³⁸⁰ The paradoxical effect of this phenomenon is that the value of a firm can increase exponentially without the production of a commodity or single unit of monetary profit (M'). Undoubtedly, as noted above, equity will at *some* point have to be commodified (C) and sold on the open market for cash (M/M'), but as long as growth is occurring this event can be continuously deferred. The only temporal limitation to this deferral is the underlying lifetime of the fund from which a startup obtains its capital (M), which we already know can exist for ten years or more. Provided it is producing growth (G), then, a startup may exist for over a decade without making a single unit of profit. The VC process appears, therefore, to have not only inserted a subroutine into the general formula for capital, but to have modified its limitations:

“The circuit of capital proceeds normally only as long as its various phases pass into each other without delay. If capital comes to a standstill in the first phase, M—C, money capital forms into a hoard; if this happens in the production phase, the means of production cease to function and labour-power remains unoccupied; if in the last phase, C'—M', unsaleable stocks of commodities obstruct the flow of circulation.”³⁸¹

This quote, taken from volume II of Marx's *Capital*, suggests that what is a feature of the general formula for venture capital (i.e., the delay of realization) is a violation of the normal function of the general formula for capital.

³⁸⁰ Decoding the substance of growth (G) will be the task of Parts II and III of this dissertation.

³⁸¹ Marx, *Capital: A Critique of Political Economy: Volume Two*, 133.

Finally, exit, as the terminal endpoint of the general formula for venture capital, although symbolically overdetermined with the potentiality of multiple types of liquidation events, represents the single pathway by which the general formula for capital may be completed. As a future event this implies that until an exit is realized, there is no way out of the VC-Entrepreneur relationship—both parties are as such embedded in a sequence of events from which there is no exit *until exit*. Thus, exit is both present and absent at the same time—its necessary eventuality, combined with both temporal and substantive indeterminacy, means it has a disciplinary character that promotes (and incentivizes) certain behaviors and modes of operation throughout the duration of the VC-Entrepreneur relationship. Exit is thus not simply an event, but a process.

VC Temporalities

As a process, exit produces both “internal” and “external” effects, incentives, structures, and implications. The former relate to VC alone, the latter to capitalism more broadly. It is the distinction between these internal and external effects that allows the exit process to appear as an event, as a breakpoint between the general formula for venture capital and the general formula for capital.³⁸²

³⁸² One scholar of VC has described this Janus-faced feature of exit as a “braiding” of two contracts: the VC-Entrepreneur contract (our topic in this chapter), and the GP-LP 10-year contract for the fund. The effect of such “braiding” is to increase the efficiency of both contracts. Intertwined but kept separate, the efficiency of accumulation is able to maintain maximal long-term returns. Gilson, “Engineering a Venture Capital Market,” 1091.

The VC process, from the perspective of the VC-Entrepreneur relationship, is the time of the now.³⁸³ It is a time separate from both homogeneous empty “clock” time and from the cyclical time of capitalist realization (described above). It is as such a suspended temporal horizon with its own rules and logic, a time within a time—VC time *within* capitalist time. This distinct temporality lies coterminous with the term sheet and definitive agreements and may be preliminarily described as *contractual* time. Not only does the contract draw the diverse interests of VCs and entrepreneurs together into a set of incentives oriented towards the common goal of growth and equity valorization, but in doing so, it also puts at bay the incentives of capital to realize profit. Put another way, contractual time creates a temporal plane in which the law of capital is temporarily suspended and substituted for the law of VC. Rather than being incentivized towards the imperative of producing commodities and monetary profits (realization, or C—M’), as is the law of capital, the entrepreneur must produce growth and an increased equity valuation (G—E’), as is the law of VC.³⁸⁴

³⁸³ Agamben, *The Time That Remains*, 2. In this section, I shall take much of my conceptualization of time from Agamben’s reading of St Paul’s letters to the Romans. While it may seem fanciful to draw upon a characterization of messianic time in my description of the VC accumulation process, there are uncanny parallels. Not only is VC time a contracting “time within a time” inaugurated by a past event (the signing of the term sheet, the birth of the Messiah), dominated by a future event (exit, the return of the messiah), and drawn towards a necessary and irresistible *outside* force (M—C—M’, the will of God). But also, the prophesied coming of the next world (the kingdom of God, the achievement of social necessity and monopoly) in which a new time and world will appear, need only *be* a prophecy for its *effects* to take hold in the present. Exit as event, like the apocalypse, is a threshold towards judgment, where what happens next will remain uncertain and, in a way, irrelevant until it happens. Exit as process, however, demonstrates how this future “event” operates in the present to orient or convert all invested actors towards the goal of realizing this next world. For Agamben this is one world under God, for VC this is one world under capitalism.

³⁸⁴ Remember, however, that the suspended law of capital is symbolized by exit and thus always threatens to return. The VC is able to control the Entrepreneur by holding at bay the imperative to realize profit (C—M’). They do this by continuously feeding the Entrepreneur capital (M). They hold at bay the law of capital in return for—and only in return for—abeyance to the law of VC (E—G—E’). In Agamben’s terms, we could align this “holding at bay” to the functional role of the *katechon*.

The time of the now—contractual VC time—is compartmentalized away from both capitalist and clock time. It is an insulated time, what might figuratively be referred to as a temporal “space.”³⁸⁵ Growth (G) is the priority in the time of the now, and profits (M’) are a matter for deferred capitalist time. However, it is important to recognize that while growth (G) represents the substance of a portfolio firm’s operations, equity (E/E’) is merely a representation of value, and the radical breakpoint between the general formula for capital and the general formula for VC (marked by exit) allows equity (E) to mediate the relationship between growth and profits such that profits (M’) can be realized in capitalist time on the basis of the value of equity (E’) *without profits ever being achieved by the startup firm*. In what seems to be a paradox, a startup firm may stay unprofitable and at the same time realize profits.³⁸⁶

The first feature of VC time, then, is that it *is* VC time (as opposed to capitalist time), what I have dubbed “contractual time.” It is a time within a time, a time apart. The second feature of VC time is that it contracts—contractual time is also *contracting* time. It is not only its own temporality, but it has its own temporal dynamic. Thus, even though capitalist time (i.e., the time to realization) is slowed down by its detour through

³⁸⁵ Referring to VC time as a temporal “space” allows us to visualize internal (inside) and external (or outside) temporalities. The border between the inside of VC time and the outside of capitalist time is symbolized by exit.

³⁸⁶ Massive profitable exits (including IPOs) happen for unprofitable companies all the time—Amazon, Twitter, Snap, Spotify, Lyft, Peloton, Uber all went public while operating at a loss. Some of them are still immensely unprofitable. Amazon, which holds something approximating a monopoly in online retail, famously never made a profit before 2003, six years after going public, and didn’t have profits exceeding \$1 billion until 2016 (it even posted a \$2.7 billion loss in 2022). Uber runs at multi-billion-dollar losses every year and has done so since going public. And Peloton, despite modest profits at the height of the pandemic, has also consistently run at a loss ranging from hundreds of millions to multiple billions. “Amazon.Com, Inc. - Annual Reports, Proxies and Shareholder Letters”; “Annual Reports & Proxy Statements | Peloton Interactive, Inc.”; “Uber Technologies, Inc. - Financials.”

the general formula for venture capital, VC time is *intensified* by the approaching, indeterminate certainty of exit (see Figure 1.7). To understand this point, we need simply recognize that as soon as the entrepreneur signs a term sheet and receives funding from a VC, a figurative clock begins ticking.³⁸⁷ As has been shown, this is because VC investors (GPs) have to return funds to their own investors (LPs) within the lifetime of the fund. It is also because an entrepreneur is only given enough capital to meet their next growth milestone. Should they fail to achieve that milestone, then rather than receiving more capital, they may be forced into an early exit (Figure 1.3).³⁸⁸ Therefore, while the general formula for VC has a cyclical dimension (E—G—E'—G...etc.), taken as a whole it forms a secular temporal sequence that moves towards exit as its necessary and unavoidable endpoint (E—G—E'—(X)). It is exit, then, that creates contracting time, for exit makes contractual time a *time that remains*.³⁸⁹

³⁸⁷ See Chapter 1 in Kerrest, *Zero to IPO: Over \$1 Trillion of Actionable Advice from the World's Most Successful Entrepreneurs*; Cumming and Johan, "Preplanned Exit Strategies in Venture Capital," 1210.

³⁸⁸ If they are lucky, this could be via a mediocre acquisition or, potentially, a buyback (where the founders buy back their own equity). It is most likely to take the form of winddown, however. What is highly improbable is that the firm would be in a position to go public.

³⁸⁹ Again, I am indebted to Agamben for the triple motif of contracting time, the time that remains, and the time of the now. Agamben, *The Time That Remains*.

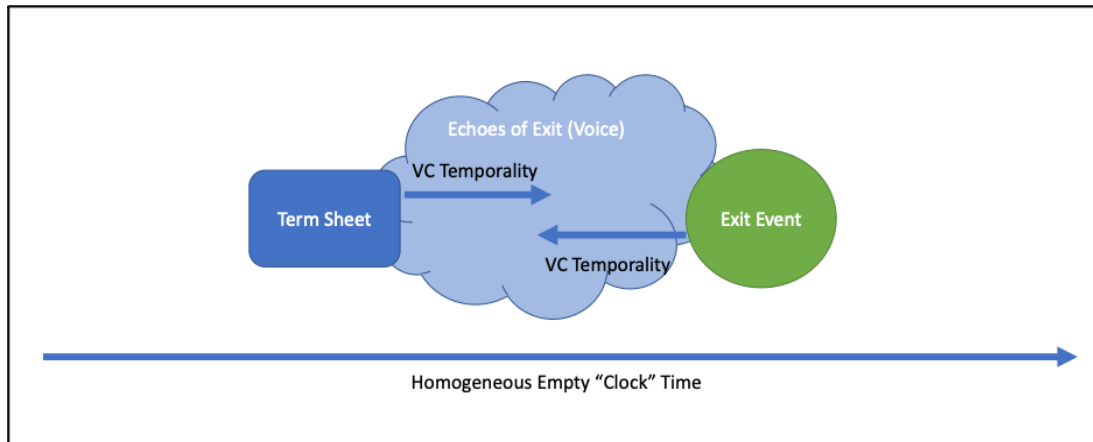


Figure 1.6 – Contracted Time (First Cut) (Source: Author)

The result is a complete contradiction of capitalist orthodoxy³⁹⁰—the VC process *slows down* the capitalist process of realization.³⁹¹ And *yet*, it does so in order to speed up growth.³⁹² This is thus permitted by capital because at the eventual point of realization—exit—growth will have achieved a scale of realization otherwise not possible. Growth is, moreover, able to achieve a massive delta of scale because the

³⁹⁰ David Harvey has spilled much analyzing the imperative to avoid delays in realization as described by Marx above. For Harvey delays to realization can be achieved through finance, as is the case with VC, because finance “buys time”—it stays the requirement for realization. But, Harvey also argues that the time to realization can avoid delays by manipulating space—or, the time it takes for capital to move through space. He calls this phenomenon time-space compression because innovations in finance allow capital to move more quickly through space, and innovations in the spatial (geographical, distributive) dimensions of capital, through what he calls “the spatial fix,” allow capital to move more quickly through time. I shall take up the spatial dimensions of VC in Part II of this dissertation and shall begin to describe my own critical supplement to the theory of time (and space) compression later in this chapter and the next during the discussion of contracting and contracted time.

³⁹¹ “How long should capital remain within production before testing its value in the sphere of exchange? Marx’s answer to that question is: as short a time as possible, since capital is value only when it is in motion ... There is a strong incentive, therefore, to accelerate the turnover of capital as much as possible.” Harvey, *The Limits to Capital*, 132.

³⁹² “[T]hose who accumulate more quickly tend to drive out of business those who accumulate at a slower rate.” Note, that my own argument is that the VC process slows down realization in order to intensify (i.e., speed up) accumulation. Accumulation and realization are thus temporarily bifurcated. See Harvey, 29.

focus of investment is on a startup, or (at least initially) *small* firm.³⁹³ In a series of contradictions, speed is achieved by slowing down, and scale is achieved by starting small.

To understand the VC process, it will be necessary to unpack these contradictions. To do this, I want to propose that a better framework for understanding the VC-Entrepreneur relationship than “agency theory” can be found in Albert O. Hirschman’s classic of political economy, *Exit, Voice, and Loyalty*.³⁹⁴

Hirschman’s argument is that certain economic options occurring at the level of a firm—namely, “exit” and “voice”—act as “impersonations” of more general economic and political phenomena and are therefore the key to understanding economic and political processes more broadly.³⁹⁵ Exit, on this account, symbolizes the option to leave one social relationship in favor of another when the former has become undesirable in comparison to the latter—a situation that may emerge either because the existing relationship has declined in quality or failed to meet its potential, or because another option has begun to offer greater potential or an increase in

³⁹³ An early prospectus at the firm Kleiner Perkins spelled this principle out by stating that the partnership would focus on early-stage investments of typically a few hundred thousand dollars because this is where the greatest multiples (growth and returns) could be obtained. See Nicholas, *VC*, 210.

³⁹⁴ My decision to draw upon Hirschman’s text and framework is not random, but rather inspired by its invocation in Balaji Srinivasan’s now infamous “Ultimate Exit” speech at Stanford in 2013. Srinivasan, an entrepreneur and VC, argued that Silicon Valley should secede (i.e. Exit) from the United States if the US government did not concede its requests (i.e. Voice) to get out of the way of technological progress (as understood by Silicon Valley elites). It has thus entered part of the ideological canon of Silicon Valley pseudo-libertarians. As this is more related to the subject matter in Chapter 2, I shall not explore it further here. I merely want to express its relevance to VC thought and practice. Srinivasan explored Hirschman’s argument further in a 474 page self-published manifesto-book entitled *The Network State: How to Start a New Country* (2022). See *Balaji Srinivasan at Startup School 2013*.

³⁹⁵ Hirschman, *Exit, Voice, and Loyalty*, 15.

quality.³⁹⁶ Exit is, as such, the severance of a social relationship in the context of concrete relations of social exchange.³⁹⁷ Its existence, one might argue, facilitates an implicit threat: if you do not perform according to expectations, I shall end our relationship and pursue an alternative. It is homologous to economic action in the context of a competitive market.

Voice, on the other hand, is a “residual” of exit, it is “any attempt at all to change, rather than to escape from, an objectionable state of affairs.” It is “the only way in which customers or members [e.g., VCs or entrepreneurs] can react whenever the exit option is unavailable.”³⁹⁸ In such a situation, as is the case with citizens of a sovereign body, actors must use persuasion and whatever levers of power in order are available to them in order to effect change in the social relationship, situation, or actors involved. This is the essence of politics, understood as a process of contestation over

³⁹⁶ Thinking in terms of the VC process, we might consider a situation in which a portfolio firm (startup) either fails to grow or gets outcompeted by another similar firm. This would be the first scenario in which an existing social relationship (i.e., the VC-Entrepreneur relationship) has lost its desirability in relation to alternatives (which, for the VC, may be to sell their stake and reinvest that money elsewhere, or to recoup their losses and return “something” to the LPs). The second scenario, where another option gains desirability, may be understood as a situation in which capitalist markets—e.g., the market for acquisitions or public offerings—are working in a way that the opportunity to cash in on the startup is seen as opportune. In this latter case, it should be apparent that timing is everything, and that the timing of external forces (the force of the law of capital) may affect the timing of a VC exit in ways that do not directly relate to the temporality of a startup, or even a portfolio of startups. In either scenario, Hirschman is explicit in arguing that by invoking the exit option, an agent “uses the market to defend his welfare or to improve his position.” Hirschman, 15.

³⁹⁷ What I mean by this, in the VC context, is that the social relationship in the context of the term sheet (i.e., relating to a specific startup investment) is severed; however, the social relationship between concrete individuals can, and often will, endure. Once a VC-Entrepreneur relationship has been established, it has potential as a source of both symbolic and material value. Thus social relationships in VC may be accumulated like any other resource. Nevertheless, particular instantiation of this relationship will always be severed at the point of exit to ensure the realization of capitalist profits, and to restart the entire cycle again. This topic will be taken up in Chapter 3.

³⁹⁸ Hirschman, *Exit, Voice, and Loyalty*, 30, 33.

social form.³⁹⁹ Hirschman describes this act of persuasion as “interest articulation” and as a “basic portion and function of a political system”⁴⁰⁰ which is crucial for our consideration of the VC process because, as has already been shown, VC is structured around incentives that are designed to draw the divergent self-interests of individual actors together into one common interest: growth (and thus equity valorization). Converse to exit, then, voice is homologous to political action in the context of a social, or at least processual, monopoly—that is, under one authoritative entity.⁴⁰¹

Exit and voice refer respectively, then, to what Hirschman refers to as a “fundamental schism” between economics and politics.⁴⁰² In the VC-Entrepreneur relationship, however, there is no schism, for voice and exit (and thus economics and politics) are mutually entangled.

One way to decode this entanglement is by comparing exit/economics and voice/politics to the economics and control (or *governance*) provisions within the term sheet for, as we know, the term sheet is the basic contractual framework by which “interest articulation” is managed and aligned, and it does so by bringing together the economic and control provisions (or, as I am claiming, exit and voice). As discussed,

³⁹⁹ This shall be my working definition of politics for the time being. In later chapters we will revise this definition to account for Jacques Rancière’s reassignment of the terms “politics” and “police.” On the latter account, what I am describing is police and not politics—politics emerges only with radical change in the literal sense of changing things “at the root.” For more context, see Rancière, *Disagreement: Politics and Philosophy*.

⁴⁰⁰ Hirschman, *Exit, Voice, and Loyalty*, 30.

⁴⁰¹ By processual monopoly I mean to refer to a situation in which abiding to certain rules, procedures, and operations is, at least in the first instance, unavoidable (situations obviously exist in which rules, procedures, and operations can be the means by which those same rules, procedures, and operations are changed—such is the case, for instance, in a parliamentary or congressional democracy).

⁴⁰² Hirschman, *Exit, Voice, and Loyalty*, 15.

these provisions include liquidation preferences to induce growth and equity valorization via the incentive of massive financial reward—provisions we might refer to as the “carrot” aspect of exit. But on the other hand, these provisions protect preferred shareholders (including VCs) first and foremost while giving VCs *de facto* control over corporate affairs (including the option to replace the CEO, who is almost always initially a founder).⁴⁰³

Contractual Time: Embedded Entrepreneurship and the Ventrepreneur

Returning to the theme of VC temporality we have, then, two dimensions to deal with: contractual time, which describes the way in which VC time is separated from both homogeneous empty clock time and capitalist time, and contracting time, which denotes internal movement of time for actors operating within contractual time. Let us begin with contractual time.

The disciplinary character of the carrot and stick ambivalence in VC time produces a system of subjection made possible because of one simple fact: there is no exit until or except by exit.⁴⁰⁴ The entrepreneur signs up with the reward in mind, and

⁴⁰³ Recall, VCs have the ability to rule through board control and veto provisions given via the term sheet. Bains, *Venture Capital and the European Biotechnology Industry*, 91.

⁴⁰⁴ One way of describing this may be to say that the Entrepreneur is “imprisoned” within the VC process. As Kaplan and Stromberg have shown, the non-compete and vesting provisions in a term sheet make it prohibitively expensive for an Entrepreneur to leave a firm. Also, although not described in exactly this way, there is one notable attempt in the mainstream academic literature to challenge the hegemony of the agency theory approach to the VC-Entrepreneur relationship by substituting it for the famous Prisoner’s Dilemma (a game theory approach to political strategy). In the prisoner’s dilemma,

yet will and must be subject to disciplinary corrections along the way. Thus, we may argue that the entrepreneur, once enlisted as an agent of the VC process, is *embedded* within the process—that is, is embedded within a specific set of social arrangements and structural incentives. It is precisely this “embeddedness,” a well-worn concept in sociological theory, that explains how situational constraints—in our case the inability to exit except by the approval of a VC—invoke behaviors that, although they may appear non-rational (e.g., growing a business that doesn’t make money), in the context of such constraints constitute a perfectly reasonable social action.⁴⁰⁵ And yet, the notion of situational, or *structural*, constraints highlights only one dimension of what I am calling the “embedded entrepreneur,” for it is via the very same structures that these agents obtain certain capacities that they would not have *unless* embedded within these structural relations.⁴⁰⁶ These capacities pertain to the supply of financial capital, access

two actors (prisoners) are given a set of options and consequences based on their willingness to cooperate with a punitive authority versus each other, and versus acting in self-interest. The best outcome (which comes with some negative consequences) is for the prisoner’s to cooperate in staying silent (i.e., against the punitive authority). One key feature, and in the authors’ view corrective to the agency theory approach, is this model’s capacity to account for learning from repeat play. The prisoners will become *better* at cooperating and avoiding the punitive actions of the authority. This supports, indirectly, my figuration of the ventreprenuer. Cable and Shane, “A Prisoner’s Dilemma Approach to Entrepreneur-Venture Capitalist Relationships.”

⁴⁰⁵ The concept of embeddedness in Economic Sociology is largely attributed to Mark Granovetter, however, in his seminal article (cited here) Granovetter tends to think of embeddedness in terms of structural constraints and gives little consideration of how structures also bestow certain powers upon the agents embedded within them. This is a point discussed at length by Alex Callinicos in his book *Making History*, where he refers to such powers as “structural capacities.” Embeddedness is thus an ambivalent condition, and arguably one that is subject to dialectical tension and movement—an agent embedded in a structure is both constrained *and* enabled to act, in part because the condition of embeddedness comes with both negative *and* positive incentive reinforcements. Arguably, this is the very definition of “discipline”; the point of subjecting an agent to certain rules and denials is to “improve” them and make them of greater use to a system of social order. Foucault famously discusses this at length in *Discipline and Punish*. See Granovetter, “Economic Action and Social Structure: The Problem of Embeddedness,” 506; Callinicos, *Making History*; Foucault, *Discipline and Punish*.

⁴⁰⁶ The one-sided idea of structures as constraints (not allowing for structural *capacities*) originates in one of Marx’s most famous phrases: “Men make their own history, but they do not make it just as they

to networks of resources, the ability (and, of course, imperative) to focus on growth without concern for realization (thus facilitating a potential “first mover advantage” in the attempt to capture new markets), reputational (and thus symbolic) value inherited through the prestige of an investing VC firm, business mentoring by senior and experienced VCs, and so on. Thus, it is via this dual dynamic of constraints and capacities that we are able to make concrete sense of the “carrot/stick” ambivalence. The entrepreneur is at once bestowed and denied various powers of action.

It is through the discipline (voice) invoked by exit that the VC process is able to manage the risk associated with one of its most important assets: the entrepreneur.⁴⁰⁷ While some notable VCs have suggested factors such as markets or technology are the essential element of a good VC investment (and these will be addressed in the coming chapters), the most common refrain is to claim that people (i.e. the entrepreneurial team) are the single most important factor.⁴⁰⁸ However, while there is close to a

please; they do not make it under circumstances chosen by themselves, but under circumstances directly found, given and transmitted from the past.” As per the previous footnote, Callinicos has shown at length why this account is too simplistic. See Marx, “The Eighteenth Brumaire of Louis Bonapart,” 595; Callinicos, *Making History*, 152, 214.

⁴⁰⁷ Discipline is a term invoked by the academic literature on VC in relation to contractual arrangements and staged financing, but also has a rich history in critical social theory, particularly via the work of Foucault. As Foucault notes, disciplinary power is not sovereign power but was an invention (the greatest invention) of the bourgeoisie. Discipline is the bearer of norms, and ultimately works to normalize subjects. To be clear, this is precisely the claim that I am making here: the VC process produces VC subjects. De Clercq and Manigart, “The Venture Capital Post-Investment Phase: Opening the Black Box of Involvement,” 197; Foucault, *Power/Knowledge: Selected Interviews & Other Writings (1972-1977)*, 105–6.

⁴⁰⁸ Much research has been done on this topic going back to the very beginnings of VC scholarship. Macmillan famously made an analogy to horse racing: “There is no question that irrespective of the horse (product), horse race (market), or odds (financial criteria) it is the jockey (entrepreneur) who fundamentally determines whether the venture capitalist will place a bet at all.” Some (Bains) have shown that despite the sentiment entrepreneurial teams are the most factor, only 12 percent of a VC’s time is spent analyzing the “people factor” (product and market analyses dominate). Furthermore, PE industry research by CBInsights identifies capital as the single most important factor determining a startup’s success. Tom Nicholas, in his history of VC, has argued that an emphasis on people,

consensus on this point, there is widespread disagreement as to whether entrepreneurs, once captured and embedded within the VC process, are to be coached by VCs, or if—as eccentric outliers—entrepreneurs should be left to their idiosyncratic devices.⁴⁰⁹ In any case, capturing the best entrepreneurs is seen as a key value proposition. So much so, that some have likened the formation of an entrepreneurial team (including startup employees) to the process of designing and building a product.⁴¹⁰ Both, after all, are the outcomes of capital at work.

The distinction between simply identifying promising entrepreneurs and coaching them to greatness has been described in the VC literature as “scouting” and “coaching” respectively.⁴¹¹ Whereas in all cases scouting is considered an important factor, there is some disagreement as to whether coaching (i.e., the coaching of an

technology, or markets is exemplified by three of Silicon Valley’s earliest (and most famous) VCs: Arthur Rock (people); Tom Perkins (technology); and Don Valentine (markets). The real answer, of course, is that all of these factors are important. Be that as it may, most VCs today still identify people (especially the management team) as the key factor. As I shall explore further in Part II (Chapters 3 and 4) of this dissertation, capturing human capital is a key component of the VC process not merely in terms of capturing entrepreneurial skill, but also technological know-how (and with it, effectively, technology). This, however, is completely irrelevant unless an adequate potential market exists. Both market and people are therefore preconditions to the success of a venture, and between them is sandwiched technology as objectified “know-how.” See Gompers et al., “How Do Venture Capitalists Make Decisions?,” 170–71; Macmillan, Siegel, and Narasimha, “Criteria Used by Venture Capitalists to Evaluate New Venture Proposals”; Bains, *Venture Capital and the European Biotechnology Industry*, 87, 89; “Why Startups Fail: Top 12 Reasons | CBInsights”; Nicholas, *VC*, 183–232.

⁴⁰⁹ To give some examples of these diverging opinions. The VC firm a16z, led by Marc Andreessen and Ben Horowitz have marketed entrepreneurial coaching as their primary value proposition as an investment firm (beyond capital, of course). Founders Fund, led by Peter Thiel, on the other hand, thinks their key virtue is to give entrepreneurs capital and beyond that to let them use their eccentricities as a superpower. Coaching is expressly frowned upon. The sheer divergence of opinions and practices on this point suggests that it is not the VC who subjects the Entrepreneur but the VC process itself. This aligns with my argument so far about the disciplinary function of incentive structures. On divergent styles, see Mallaby, *The Power Law*, 210, 290.

⁴¹⁰ Griffin, *A Dozen Lessons for Entrepreneurs*, 301.

⁴¹¹ Colombo and Grilli, “On Growth Drivers of High-Tech Start-Ups: Exploring the Role of Founders’ Human Capital and Venture Capital,” 613–14; Baum and Silverman, “Picking Winners or Building Them? Alliance, Intellectual and Human Capital as Selection Criteria in Venture Financing and Performance of Biotechnology Startups.”

entrepreneur by a VC) is necessary or not. The argument presented here is that whether one-on-one coaching takes place or not, the VC process itself will condition and discipline the entrepreneurial subject in such ways as to have the same, or at least a similar, effect to coaching.⁴¹²

As we saw in the introduction, the key method by which a VC engages in their scouting function is through pattern matching, dismissed by Nicholas and Mallaby as homophilia and mirror-tocracy respectively, the most obvious markers of which are gender and race.⁴¹³ However, other factors relating to an entrepreneur's "human capital" qualities are also a key factor. Where an individual went to university or previously worked, for instance, are both likely to create an element of trust and rapport leading to higher likelihood of investment, as are certain personality traits.⁴¹⁴ Recruitment into the VC process, in short, is a process of renewing the social fabric in

⁴¹² This conditioning of entrepreneurial subjects by the VC process and its structural incentives applies whether we are adopting the agency theory approach of mainstream scholarship on VC, or my own critical account employing Hirschman's distinction between exit and voice. In either case, subject discipline is required to align self-interests to the process governing social action. De Clercq and Manigart, "The Venture Capital Post-Investment Phase: Opening the Black Box of Involvement," 196; Mallaby makes the point that the idea of actively shaping entrepreneurs goes back to the earliest innovations in VC and was even then a *structural* design feature of the VC process (as opposed to a coaching function given by individual VCs) organized around the limited partner, limited time structure of funds. As will be explained in the next section, contracting time is the ultimate disciplinary force at work in the VC process. See Mallaby, *The Power Law*, 59, 210.

⁴¹³ Chang, *Brotopia*, 155. The NVCA-Deloitte VC Human Capital Survey, March 2021, supports this claim. See <https://www2.deloitte.com/us/en/pages/audit/articles/diversity-venture-capital-human-capital-survey.html>

⁴¹⁴ James Currier (a VC at NFX), speaking at TechCrunch Disrupt 2023 (panel: "What do you need to raise a Series A today? 9/20/23) claimed that Sequoia was a group of "disagreeable people" who sought out other "disagreeable people" to fund. There is, he claims, a high correlation between firm performance and disagreeability (though he does not elaborate why). Benchmark Capital, according to Currier, have made a business out of identifying and following such agreeable people (such as the PayPal co-founders. E.g., Peter Thiel, Elon Musk, David Sacks, Roelof Botha, Keith Rabois, etc., many of whom are now VCs).

a way that ultimately induces reproduction (i.e., of like-minded subjects).⁴¹⁵ This point will become crucial as the argument progresses. Arguably, this factor is induced by the uncertainty of new venture success and the statistically high likelihood of failure. It could be summed up in the principle “go with what you know.”⁴¹⁶ In any case, for the process of scouting to be a success, the entrepreneur must be bound to the VC process, which is the function of the term sheet and the essence of contractual time.

Once scouted, the VC process will, through acts of subjection (voice) invoked by the disciplinary force of exit, normalize entrepreneurial agents such that they act in

⁴¹⁵ Although I am framing this assimilation in terms of “minds,” it should be recalled that the underlying ontological framework in this dissertation is materialist ideology. Thus, “like-mindedness” is as much a comment on shared practices as it is on shared ideas. However, this is as much Foucauldian as it is Althusserian. For subjectification through power, for Foucault, is about disciplining practices and behaviors (i.e. bodies in space) in order to discipline the soul. It is the entanglement of ideas and practices, then, that makes entrepreneurial subjectivity moldable in the context of the VC-Entrepreneur relationship. Peter Drucker, in his classic *Innovation and Entrepreneurship*, emphasizes a similar point, arguing that entrepreneurship is a behavior rather than personality trait, with a foundation in concept and theory rather than intuition. Thus, entrepreneurship is a *learnable* set of behaviors based on prefabricated ideas and norms. Foucault, *Discipline and Punish*, 22–24; Drucker, *Innovation and Entrepreneurship*, 26.

⁴¹⁶ This topic shall be taken up at length in Chapter 3 and so shall not be elaborated in excessive detail here. However, some points of note: (1) Research suggests that more experienced (and thus more influential) VC firms tend to be better at pattern matching for first time entrepreneurs than less experienced firms. (2) VC research (i.e., Franke et al) shows that VCs tend to favor teams similar to themselves in type of training and professional experience, and yet conspicuously avoid any discussion of racial or gender biases, including recommending them as areas for future research. (3) The tendency to fall back on pattern matching in the face of uncertainty is not limited to human capital (management), but also social capital (startup alliances) and intellectual capital (patents). (4) Perhaps the most prominent admission of this pattern matching comes from John Doerr, speaking to the NVCA who admitted being a white male nerd “correlates more with any other success factor that I’ve seen in the world’s greatest entrepreneurs. If you look at Bezos, or Andreessen, David Filo, the founders of Google, they all seem to be white, male, nerds who’ve dropped out of Harvard or Stanford and they absolutely have no social life.” See Franke et al., “What You Are Is What You like—Similarity Biases in Venture Capitalists’ Evaluations of Start-up Teams”; Colombo and Grilli, “On Growth Drivers of High-Tech Start-Ups: Exploring the Role of Founders’ Human Capital and Venture Capital,” 611; Baum and Silverman, “Picking Winners or Building Them? Alliance, Intellectual and Human Capital as Selection Criteria in Venture Financing and Performance of Biotechnology Startups,” 413; Gompers et al., “Skill vs. Luck in Entrepreneurship and Venture Capital: Evidence from Serial Entrepreneurs”; Reich, Sahami, and Weinstein, *System Error: Where Big Tech Went Wrong and What We Can Do About It*, 41.

accordance with the law or are eliminated from the social fold. The VC process, as such, *produces* (or reproduces) certain types of subjects in order to maximize the production of value.⁴¹⁷ By subordinating the entrepreneur to a new hierarchy of investors and investment incentives, along with the threat of replacement or the starvation of capital leading to venture “death,” entrepreneurs are disciplined to be “good” entrepreneurs.⁴¹⁸ They are taught how to be CEOs and to think in terms of shareholder interests, as opposed to (and not simply in conjunction with) just being a good inventor or innovator.⁴¹⁹ Thus, just as the entrepreneur is embedded in a process, so too is the process embedded in the entrepreneur.⁴²⁰ In critical theoretical terms we might say that the entrepreneur is *interpellated* by the VC process—is “hailed” by the

⁴¹⁷ In financial parlance, this might be described as the act of producing “alpha,” which is a value addition given by the skill of the investor. It is opposed to “beta” which is achieved by simple selection of stocks (or entrepreneurs, in the case of VC).

⁴¹⁸ For a mainstream discussion of how VC subordinates entrepreneurs to a hierarchy, see Hsu, “What Do Entrepreneurs Pay for Venture Capital Affiliation?”; For a more critical take, see Butler, *Psychic Life of Power*, 28. Butler notes that the subject being subjected is compelled to repeat the norms by which it is produced and, should it fail to do so, will be subject to sanction; Ironically, growth may change requirements of the founder in terms of the aptitudes required to manage firms at different scales and lead to replacement if the entrepreneur does not step up in a way the VC finds satisfactory. See Krass, *The Book of Entrepreneurs’ Wisdom: Classic Writings by Legendary Entrepreneurs*, 138.

⁴¹⁹ Remember, however, that innovation is different to invention. Innovation already implies that an invention is being prepared for commercialization. Chesbrough, *Open Innovation*, ix; Bains, *Venture Capital and the European Biotechnology Industry*, 30, 37. To give a concrete example of this, consider the case of Luis Von Ahn, the CEO and co-founder of Duolingo, a language learning app. In 2021 Ahn, speaking at the TechCrunch Disrupt conference (panel held on 9/21/21: “From ABCs to IPO”), said that he had been happy to take VC money in the early stages of his firm’s life, because investors were enthusiastic about the “service for free” model of operation (i.e., limited revenue and profits). However, he concedes that as time went on raising money increasingly came with the proviso of “professionalization.” As a consequence, after a number of years in operation, Duolingo has finally become a tiered subscription service (albeit where a majority of users still learn without paying).

⁴²⁰ As Frédéric Lordon notes in reference to the work of Pierre Bourdieu, there is a false antinomy between subjectivism and objectivism in that structures (as objective reality) do not merely act *upon* subjects, but work *within* them, are enacted through and by the subject. The subject comes to embody the structural object. See Lordon, *Willing Slaves of Capital: Spinoza and Marx on Desire*.

law⁴²¹ of VC structured as voice, and the law of capital spectrally structured as exit, both of which bear down in conjunction with one another to produce relatively predictable outcomes (in terms of entrepreneurial subjectivity as a confluence of ideas and action) in a field of otherwise radical uncertainty.⁴²² The embedded entrepreneur is thus *normalized* to the process in which they are embedded.⁴²³

However, while the notion of a contractually bound “embedded entrepreneur” helps describe the process of subjection at work in the VC process, it fails to tell us much about the subject, nor does it help us to differentiate this subject from entrepreneurs operating outside the VC process. Consider a point made in the introduction of this chapter: VC depends on entrepreneurship for its existence, but the reverse is not true.⁴²⁴ Whereas entrepreneurship is a self-sufficient category, VC cannot function unless it is combined with entrepreneurial action. Therefore, the VC process

⁴²¹ I take this motif of being hailed by the law from Althusser: “ideology ‘acts’ or ‘functions’ in such a way as to ‘recruit’ subjects among individuals ... or ‘transform’ individuals into subjects ... through the very precise operation we call *interpellation* or *hailing*. It can be imagined along the lines of the most commonplace, everyday hailing by ... the police [the symbolic embodiment of the law in terms of its disciplinary operations]: ‘Hey, you there!’ Althusser, *On the Reproduction of Capitalism*, 190.

⁴²² Research by Josh Lerner has shown that VC governance in terms of board representation increases in periods of uncertainty, particularly if trust in a founder-CEO (i.e., entrepreneur) begins to wane due to non-conformance with VC expectations. Lerner, “Venture Capitalists and the Oversight of Private Firms,” 302, 316.

⁴²³ The model norm is perhaps best reflected in the “archetype” entrepreneur, exemplified by characters such as Steve Jobs, a man celebrated in VC and entrepreneurial circles for his self-confidence and supposed fearlessness of risk. Living up to such archetypes is a requirement all entrepreneurs must aspire to. Mark Zuckerberg was said to be an “intellectual lightweight” who was easily persuaded to submit to his investors (Marc Andreessen and Peter Thiel). So desperate was he to be seen as smart—to be seen as an archetype founder—that he adopted all the strategic changes they suggested and even their unapologetically libertarian mindset. Such behavior is the very basis of subjection—it is the act of seeking recognition in categories of others’ making. The theme of archetypes will be developed in Chapter 5. Chang, *Brotopia*, 28; Frenkel and Kang, *Ugly Truth*, 29; Butler, *Psychic Life of Power*, 20.

⁴²⁴ “Venture capitalists (VCs) depend on entrepreneurs for their existence ... we know that without the entrepreneurs, we have no business.” Horowitz, *What You Do Is Who You Are*, 98.

is an entrepreneurial process.⁴²⁵ However, when VC and entrepreneurship are combined, the outcome is a distinct form of entrepreneurship that is not the same as non-VC entrepreneurship. If this were not the case, then there would be no reason for VC to exist. VC thus modifies the entrepreneurial process to produce something that is *sui generis* to itself.

To make sense of this we must understand the entrepreneurial process, a task that is far from straightforward. Entrepreneurship is notoriously undertheorized even in the mainstream academic literature.⁴²⁶ However, it is an intuitive truth that there are distinct and not superficial differences between a market stall or “mom and pop store,” a small to medium sized local business, and a fast-growing startup with actual or potential unicorn status. And yet still, all three fall under the category of entrepreneurship. Perhaps the two most influential accounts of entrepreneurship are given by Joseph Schumpeter and Israel Kirzner, each of whom attributes the entrepreneur to value production, but with minor differences. For Schumpeter, the entrepreneur is a *creator* of value—one who puts inventions to work.⁴²⁷ They are a disequilibrating (i.e., disruptive) economic force and arbitrate this space of

⁴²⁵ VC, in Silicon Valley at least, differentiated itself from other forms and regions of finance by emphasizing its entrepreneurial credentials. Tom Perkins, for instance, said of Kleiner Perkins “We are not investors. We’re not Wall-Street, stock-picker investor people ... We are entrepreneurs ourselves, and we will work with entrepreneurs in an entrepreneurial way.” Quoted in Mallaby, *The Power Law*, 68.

⁴²⁶ Scott Shane argues that the lack of a coherent framework for understanding entrepreneurship is down to a division in the literature between those who focus on individuals and those who focus on external factors. Whereas Shane’s response is the “individual-opportunity nexus.” I am similarly attempting to draw together individuals and external forces under the framework of the VC process. See Shane, *A General Theory of Entrepreneurship*, 2.

⁴²⁷ Note that Schumpeter divorced the act of invention (i.e., the creation of use value) from the act of entrepreneurial innovation (i.e. the creation of exchange value). Thus when we speak here of value we are speaking in the limited sense of exchange value only.

disequilibrium in order to harvest value before others are able to imitate this feat and compete on relatively equal terms. For Schumpeter, furthermore, productive capital and financial capital are separate and distinct.⁴²⁸ For Kirzner, on the other hand, the entrepreneur is a *discoverer* of value—one who simply lays claim to inventions. As such, they are an equilibrating force, meaning they bring price stability to the economy. Whereas, for Kirzner, the entrepreneurial act of discovery is common, for Schumpeter the entrepreneurial act of creation is rare. Scott Shane’s book *A General Theory of Entrepreneurship* is an attempt to find the common thread between these two accounts, his argument being that both Schumpeterian and Kirznerian accounts of entrepreneurship are a description of individuals identifying (by creation or discovery) economic opportunities that may be exploited. Thus, the general theory of entrepreneurship, for Shane, is defined as an individual-opportunity nexus with varying means and ways.

While Shane’s account is a useful description, it remains precisely as he intended: general. Speaking to the VC-Entrepreneur relationship as a particular instance of the individual-opportunity nexus, however, we can see that not only are VCs and entrepreneurs “individuals”⁴²⁹ to one another, but they are also simultaneously

⁴²⁸ Carlota Perez, commenting on Schumpeter, makes precisely this point, attributing the function of productive capital (i.e., the entrepreneur) to the generation of new wealth, and the function of financial capital (i.e., the financier) to the reallocation and redistribution of this wealth. Schumpeter was, of course, writing before the emergence of modern VC and thus would not be able to comment on how they are combined in this function. Perez, however, would and should have been aware of this point in her analysis. Perez, *Technological Revolutions and Financial Capital*, 71.

⁴²⁹ I mean this in an analytic and not literal sense: I am treating VCs and entrepreneurs as individual *categories* of actors and agents even though in reality they will likely be formed of *teams* (made up of individuals who are, or are becoming, subjects to the process).

opportunities.⁴³⁰ Thus, the VC-Entrepreneur relationship is a special instance of the individual-opportunity nexus in which individuals and opportunities are—perhaps uniquely—symbiotic.

To make a distinction between general accounts of entrepreneurship and the type of entrepreneurship specific to VC, I therefore propose the portmanteau “ventrepreneur.” The “v” in this term signifying VC, veteran, and valued simultaneously. That is, the ventrepreneur is (1) a VC-specific entrepreneur, motivated by the incentive structures of the VC process; (2) a veteran of the VC process, one who has experienced the process as an embedded entrepreneur and thus knows what is expected of them; and (3) valued precisely because of this experience (by reducing uncertainty the ventrepreneur *de-risks* scouting and largely eliminates the need for coaching).⁴³¹

The figure of the ventrepreneur should not be taken as synonymous with the figure of the embedded entrepreneur, even though the two may overlap. Embedded entrepreneurship denotes the process of subjection whereas the term ventrepreneur

⁴³⁰ In both cases the opportunity is arguably growth leading to the valorization of equity. For the VC, the opportunity is characterized by the potential to deliver returns in excess of a fund’s requirements; for the entrepreneur, the opportunity is to grow into a valuable firm that may be acquired or go public and will allow the entrepreneur to achieve their goals pertaining to utility, scale, and monetary reward.

⁴³¹ Both practitioner and academic research shows that “serial entrepreneurs” (a term I am avoiding as this does not imply VC by necessity) not only receive more capital from VCs than first-time founders, but also are far more likely to achieve unicorn status with their new ventures. Interestingly, PitchBook research also shows that while serial entrepreneurs (i.e., ventrepreneurs) get better deals with VCs, they also tend to give away more equity—this undoubtedly adds to their value from the perspective of the VC process and also demonstrates how they have become subject to the law of VC (i.e., the valorization of equity through growth). See Feld and Mendelson, *Venture Deals*, 52; Gompers et al., “Skill vs. Luck in Entrepreneurship and Venture Capital: Evidence from Serial Entrepreneurs,” 2; Tamaseb, *Super Founders*, 61; Navas, “Serial Entrepreneurs Raise More Capital, but at What Cost?”

denotes the subject.⁴³² A first-time embedded entrepreneur may be conceptually described, then, as a *becoming* ventpreneur, whereas ventpreneurs are fully formed subjects of the law of VC.⁴³³ To say that the ventpreneur is simply the *product* of subjection, however, may be misleading, for it is undoubtedly true that some entrepreneurs will enter the VC process for the first time as ready-formed ventpreneurs. Nevertheless, while *embedded* the incentives will operate on the (v)entrepreneurial subject such that they must act according to the same structural constraints and capacities as any other embedded entrepreneur. Embeddedness is thus conceptualized as an ephemeral condition—a condition that, when required, conditions the (v)entrepreneurial subject (Figure 1.7).

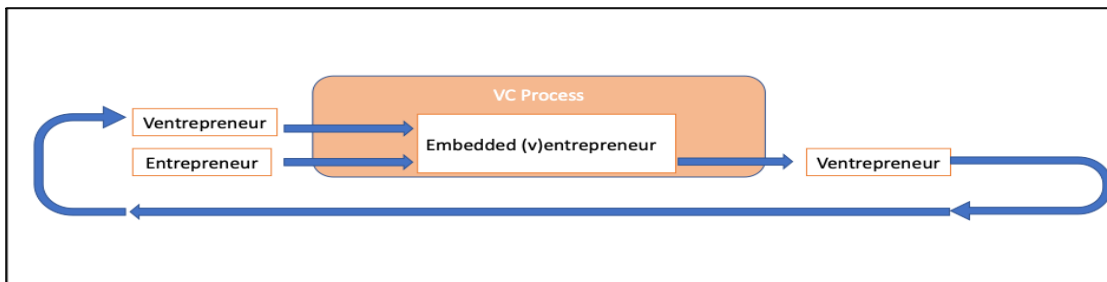


Figure 1.7 – Embedded Entrepreneurship and the Ventpreneur (Source: Author)

⁴³² Judith Butler, in her discussion of the Althusserian notion of interpellation, notes that it is precisely through the hailing—being named—by the law, that the subject is produced. The law produces the subject it names (“you are a ventpreneur!”). Butler, *Psychic Life of Power*, 95.

⁴³³ “It’s common to see entrepreneurs and startup CEOs who have no idea where they’re going because they haven’t been there before. They haven’t spoken that language of execution and growth before.” Tony Fadell (Nest, Apple) interviewed in Tamaseb, *Super Founders*, 126.

Contracting Time: Adherence to the Law and Survival at all Costs

“I follow the first principle of the Bushido—the way of the warrior: keep death in mind at all times. If a warrior keeps death in mind at all times and lives as though each day might be his last, he will conduct himself properly in all his actions.”⁴³⁴

~Ben Horowitz (a16z), *The Hard Things about Hard Things*, p.59

“[T]hose who accumulate more quickly tend to drive out of business those who accumulate at a slower rate. This implies a perpetual incentive for individual capitalists to increase the rate of accumulation ...”⁴³⁵

~David Harvey, *The Limits to Capital*, p.29

To understand the substance of the becoming and actual ventreprenuer, we must take account of the character of contractual time as contracting time—the time of the now that is the time that remains (Figure 1.6). The endpoint to this temporality is exit represented as an indeterminate event—indeterminate both in form (IPO, acquisition, winddown) and in terms of its date of actualization. However, underlying this indeterminacy lies one simple fact: exit represented as an event is symbolic of the re-instigation of realization in the general formula for capital. It is a re-instigation of a law that was suspended; the rules of realization are re-invoked with the coming of exit. It is a function of the measure of growth (G) as a representation of value (E/E') that determines whether this end is dreaded or desired, for only if the requisite measure of

⁴³⁴ Ben Horowitz, entrepreneur and VC; co-founder of the VC firm Andreessen Horowitz (a16z). Horowitz, *The Hard Things About Hard Things*, 59.

⁴³⁵ Harvey, *The Limits to Capital*, 29.

growth has been achieved will there be rewards left for the (v)entrepreneur after the VCs have taken their share.⁴³⁶ This is the essence of exit's dual function as carrot and stick.

That the VC may dangle an enticing exit carrot (ventrepreneurial status) or threaten an end to the venture with the exit stick is only made possible if the VC has significant control over the timing of exit conceived as an event.⁴³⁷ A VC may end the VC-Entrepreneur relationship at any point if the firm fails to produce growth, and the mere threat of this action is enough to give the VC power to dominate the entrepreneur—that is, to enact voice to force change.⁴³⁸

The VC thus holds power over figurative life and death—a successful exit means the entrepreneur subsists in the “afterlife” of VC, either as part of a parent corporation or as its own public entity; an unsuccessful exit means the venture ceases to exist and enters winddown or irrelevance.⁴³⁹ VC time thus becomes an existential time that demands not only conversion in the present in order to “stay alive,” but certain

⁴³⁶ As noted above, it is a general feature of term sheet liquidation preferences that preferred shareholder interests and stakes are serviced prior to common shareholders.

⁴³⁷ GPs have almost unfettered latitude, within the temporal arrangements of a fund's lifetime, to execute decisions on the day-to-day affairs of individual investments, including when and how to exit. LPs do not interfere in such decisions, which is a key aspect of their “limited” status.

⁴³⁸ “By itself, the fact that members or customers are locked in cannot therefore ensure that an effective volume of voice will be forthcoming ... one important way of bringing influence to bear on an organization is to threaten exit.” Hirschman, *Exit, Voice, and Loyalty*, 55.

⁴³⁹ The kernel of this idea is already present in *The Communist Manifesto* in Marx's description of how competition drives “smaller” capitalists into the proletariat. That is, unless they pursue growth by all means necessary, their class status will be revoked and they will lose all the privileges that come with it. See Marx, *The Communist Manifesto*, 44–45.

behavioral modifications that ensure continued existence in the afterlife of this particular VC engagement.⁴⁴⁰

Here, then, we arrive at an important figural aspect of the VC process: survival. Above all else, say VC practitioners, a startup must strive to survive.⁴⁴¹ However, as we know, survival itself, given the control provisions available to a VC, does not merely involve staying solvent, but necessarily requires consistent, continuous, massive growth. Thus, the struggle to stay “alive,” for an entrepreneur, may entail abandoning—or at least subordinating—all of their other priorities in favor of the priorities of the VC and VC process, and in doing so altering the very substance of their motivations.⁴⁴² The entrepreneur, through their subjection to the VC process, becomes in effect a particular kind of subject motivated by incentives that match their own interests only in terms of a future exchange value of equity ($E/E' - C$). Survival therefore entails a compromise: the desire to survive (which is coded by exit into the

⁴⁴⁰ This point will be taken up further in Chapter 2, but in some ways responds to Mallaby’s objection (addressed in the introduction) that VCs do not “hard code” nefarious behaviors into the firms they finance. They may not hard code them, but they do incentivize them towards certain behaviors that then—when successful—act as a demonstration of the rewards available to those who adhere to the law. Thus, the afterlife of the VC-Entrepreneur relationship is ventpreneurial in this additional sense: the ventpreneur behaves like a VC-conditioned entrepreneur both in a post-VC existence where they continue to manage their startup (now corporate) firm, and in any future entrepreneurial ventures. The point is that survival here means survival *as* an entrepreneur, for obtaining ventpreneurial status entails membership to the social world of VC as a trusted entity and thus comes with rewards far exceeding one-time monetary reward.

⁴⁴¹ While not typically used in the VC academic literature, life and death metaphors are a common recourse for VC practitioners. Consider: “remember that you are more likely to die because you execute badly than get crushed by a competitor” (Sam Altman); “the prime cultural virtue of any startup is *survive at all costs*” (Ben Horowitz); “If enough money doesn’t make it through the full cycle, then life, at least as we know it in VC land, ceases to exist.” “‘Live to fight another day’ is a great startup mantra” “Startups thrive or die based on the availability of capital from VCs” (Scott Kapor). Griffin, *A Dozen Lessons for Entrepreneurs*, 48; Horowitz, *What You Do Is Who You Are*, 198; Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 8, 17, 23.

⁴⁴² “In so far as individuals adopt the role of capitalist, they are forced to internalize the profit-seeking motive as part of their subjective being.” Harvey, *The Limits to Capital*, 28.

VC-Entrepreneur relationship from the very beginning when the term sheet is signed) resembles a Faustian bargain⁴⁴³—the will to become an agent and subject of the VC process in exchange for the opportunity to be successful.⁴⁴⁴ And yet, what success looks like from the perspective of the VC process (i.e., the production of exchange value), may not match the image of success for a venture just starting out (i.e. the production of some new use value, of meaningful utility in the world).⁴⁴⁵ In either case, in addition to the traditional punitive measures enacted by capitalists upon workers (dismissal, wage fines, removal of overtime opportunities, and so forth, all of which are negative reinforcements as a means to subjection and related to *wage labor*),⁴⁴⁶ the *venture capitalist* is able to entice *and subjectify* an entrepreneur (who, remember, is also a

⁴⁴³ I am not the first to make this comparison. Larry Ellison, co-founder and former CEO of Oracle, once referred to VC as “Mephistophelian” in a speech entitled “Just Say No to Venture Capital” (Mephistopheles is the demon that Faust bargains with in various renderings of the story of Faust). In any case, “When entrepreneurs choose to take on venture capital funding, the life and dynamics of the venture change substantially.” Thus, while life may be chosen over death, it will be a particular kind of life—a mode of living so promoted in accordance with the VC process. See Nicholas, *VC*, 229; Busenitz, “Innovation and Performance Implications of Venture Capital Involvement in the Ventures They Fund.”

⁴⁴⁴ As Judith Butler notes, drawing on the Spinozan concept of “conatus” (the striving of a being to persist in its being), no individual becomes a subject without first becoming subjected, and the desire to be subjected is always the desire to persist in one’s own being. Through this subjection, the subject is compelled to repeat norms of the system producing that subjection. This produces a risk, for failure to reproduce those norms “in the right way” may lead to sanction of the subject and thus threaten their survival *as a particular type of subject*. See Butler, *Psychic Life of Power*, 20, 28.

⁴⁴⁵ As William Bains points out, products are secondary to exits for investors, and part of the subjection of the Entrepreneur entails realigning their self-interest to match this imperative. Many Entrepreneurs, especially in the biotech industry, which is the focus of Bains’ analysis, begin their entrepreneurial journey with noble aims, the will to enact scientific progress in the world, to improve the human condition. That is, their initial goal is to pursue use value rather than exchange value; their motivations are ideas (and maybe reputation), not money. The result, of course, is that the wealth and capital stock of VC agents must be improved first and foremost. Arguably, this is a result of the capitalization of innovation and invention—as Marx states in *Capital Volume I*: “Use-values must therefore never be treated as the immediate aim of the capitalist; nor must the profit on any single transaction. His aim is rather the unceasing movement of profit making. This boundless drive for enrichment, this passionate chase after [exchange] value.” See Bains, *Venture Capital and the European Biotechnology Industry*, 18, 30, 37; Marx, *Capital*, 254.

⁴⁴⁶ Althusser, *On the Reproduction of Capitalism*, 39.

worker) with the positive reinforcement of capital gains—their remuneration, after all, although deferred, comes primarily in the form of capital gains from equity and not from wages. In short, the coming end conditions the present.

The looming approaching end thus forms not merely certain qualitative transformations in terms of the objectives pursued (i.e., growth) but also quantitative transformations in terms of the intensity and speed of this growth. Hypergrowth, an idea we first encountered in the introduction, is one symptom of this. Most famously articulated in Reid Hoffman's *Blitzscaling*, hypergrowth takes multiple forms—a testament, perhaps, to how important growth is to the VC process. Growth must not merely be prioritized but accelerated, even at the cost of stability. This, of course, risks the solvency of the startup; it is an all or nothing bet that may look risky to the entrepreneur, but from the perspective of the VC is part of a portfolio wager that is distributed and thus diversified.⁴⁴⁷ Nevertheless, the goal for the entrepreneur is to survive *as* a ventrepeneur—that is, as a recognized subject of the process. As a successful subject who may be invited to re-enter the process again and again or may at least draw upon its resources.⁴⁴⁸ This necessitates only becoming a trusted subject of the process rather than a success story in any individual case. As such, this is one explanation for the celebration of failure as a VC-Entrepreneur virtue. Death in a

⁴⁴⁷ Much of the literature on VC suggests that a VC is *not* diversified because they must go all in on one firm as the potential monopoly force in a particular market. However, given the radical uncertainty of new markets it is not the firm that needs to be diversified within a particular market, but the markets themselves that need to be diversified, and this happens at the level of the portfolio. This point will be expanded in Chapter 2.

⁴⁴⁸ This will be the general theme of Chapter 3.

venture does preclude an afterlife in future ventures for those who play the game that has been asked of them.⁴⁴⁹

Contracted Time and the Voice of Exit

“There are only two priorities for a start-up: Winning the market and not running out of cash.”⁴⁵⁰

~Ben Horowitz (a16z)

“Until break-even cash flow is achieved, nothing is secure, and your destiny is not under your own control.”⁴⁵¹

Geoffrey A. Moore, *Crossing the Chasm*, p.222

Contractual and contracting time form the internal relation of what I will call *contracted* time.⁴⁵² Only by combining these two terms can we fully comprehend how equity, growth, and exit come together to produce a field of necessity that both facilitates and promotes certain behaviors that appear counterintuitive to traditional accounts of capitalist realization.

⁴⁴⁹ In *Super Founders*, VC Ali Tamaseb compares data on billion-dollar startups (unicorns) with a baseline group of startups that did not become unicorns. This data set includes around twenty thousand startups founded between 2005 and the end of 2018. Through this data Tamaseb shows that being a repeat founder, even when not successful (including outright failure, greatly increases the likelihood of founding another firm that will achieve unicorn status. Tamaseb, *Super Founders*, 60.

⁴⁵⁰ Horowitz, “The Case for the Fat Startup.”

⁴⁵¹ Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 222.

⁴⁵² The second aspect of contracted time, bringing the future into the exit event to achieve maximal valuation, will be the focus of Chapter 2.

The law of capital, recall, is a bottleneck to accumulation in that any delay to the sequence $M—C—M'$ leaves capital lying idle and thus not capable of producing value. This problem is the source of motivation for David Harvey, for instance, who shows how capitalism employs temporal and spatial fixes in order to compress time and ensure the sequence of capitalist realization is sped up and not slowed down.

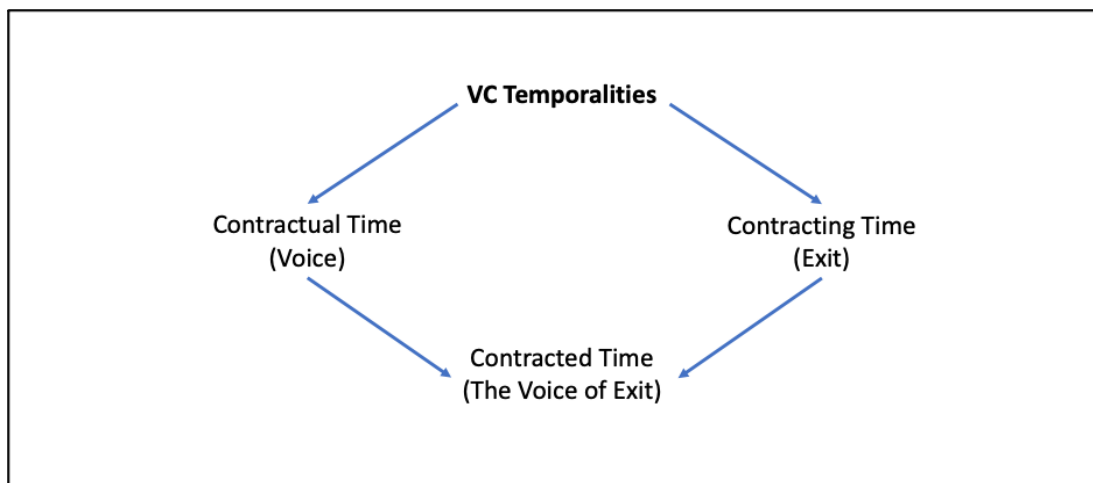


Figure 1.8 – The Voice of Exit (Source: Author)

The argument I am presenting here, however, claims that the VC process has overcome this problem via another means represented by contracted time. It has temporally divorced realization from accumulation in order to maximize the growth of capital, and it has done so by substituting growth (G) for the commodity (C) and equity (E/E') for money (M/M').

In doing this, contracted time does not merely *demand* certain behavioral objectives, but facilitates them—it is a secular time that has undergone transformation

and in which special rules apply.⁴⁵³ One of these rules is that for as long as exit may be postponed, realization may be postponed with it, and in exchange for that privilege, other priorities (i.e., growth in the pursuit of equity valorization) may be pursued.⁴⁵⁴ However, it is precisely *by* pursuing those priorities that exit is postponed. Thus, unlike in Hirschman's original formulation where exit and voice constitute two options, only one of which will usually be available, in contracted time the two are imbricated such that exit "echoes" throughout the whole process to *produce* voice. This is made possible because VCs retain the power and right to *deny* exit for any entrepreneur contractually obliged to the VC process. This in turn facilitates voice, as exit remains an option for the VC alone.⁴⁵⁵ As Hirschman puts it, "voice feeds ... on the lack of opportunity for exit."⁴⁵⁶ We may say, therefore, that the VC process draws exit and voice together—i.e., *contracts* them—to produce the voice of exit. Hence, it is through voice that exit ceases to be simply an event and becomes a process that imbues the VC process *from the very beginning* (when the term sheet is signed) with a structural force to which agents must defer.⁴⁵⁷

⁴⁵³ Agamben, *The Time That Remains*, 64.

⁴⁵⁴ As Agamben says in reference to contracting time, "He who keeps himself in the messianic law is not-not in the law." Reading this through the laws of VC and Capital, we can say that although the law of capital (realization) is suspended, it remains present and ultimately in effect at some future point in time. Just, however, as the coming of the messiah is uncertain and may happen at any moment, exit—the re-instigation of the law—is uncertain and may happen at any moment. The terms Agamben draws on to describe this ambivalence are *energein*, which describes being in act of the law, and *katargēsis*, which described "the law" as simultaneously being inactivated. See Agamben, 51, 110–11, 119.

⁴⁵⁵ "In societies which inhibit passage from one social stratum to another, resort to the voice option is automatically strengthened." Hirschman, *Exit, Voice, and Loyalty*, 53.

⁴⁵⁶ Hirschman, 34.

⁴⁵⁷ The idea that exit structures the investment process from the beginning (i.e., that the end is the beginning and vice versa) is frequently invoked in both the academic literature and by VC practitioners. For those wondering why this dissertation begins with exit rather than startup, this is my primary justification. See, for example, Ho, *Liquidated*, 124; De Clercq and Dimov, "Venture Capital

Perhaps the major effect of the voice of exit is the substitution of growth for profits (and in some cases even revenue). It is crucial in the context of what has already been said to understand that this “growth in place of profits” (and sometimes even revenue) business model is a feature of the VC process rather than an anomaly.⁴⁵⁸ Fund structures are, and have been since the early evolution of VC, organized in such a way as to align all incentives during VC time towards the growth imperative,⁴⁵⁹ and this is in part a function of the equity relation. The embedded entrepreneur is not simply a capitalist or a worker, nor the strange character of the manager—symbolically on the side of capital but materially on the side of the worker⁴⁶⁰—but all three combined. At least some of the value produced by the labor of the embedded entrepreneur is returned to them, thereby negating at least a portion of the accumulated value from the status of being extracted surplus value. The greater the growth of their equity stake, the greater their return. Growth is thus not simply a byproduct or bait and switch strategy by VC investors, but in many the reason *why* an entrepreneur seeks VC funding in the first place. It is simply undeniable that VC-backed firms experience, on average,

Firms: A Human Capital Perspective,” 87; Cumming and Johan, “Preplanned Exit Strategies in Venture Capital,” 1210.

⁴⁵⁸ An Wang, founder of Wang Laboratories, described the situation in the 1980s as follows: Unlike a number of companies that went public on the promise of great things in the future, when Wang Laboratories went public, we had solid earnings, very rapid revenue growth, and sixteen years’ history as a private company. Since *some other companies were going public with scarcely more than a letterhead*, we looked extremely good in this environment”. Emphasis added. Note that Wang makes no mention of profits. Wang, “Going Public,” 153–54.

⁴⁵⁹ Nicholas, *VC*, 126.

⁴⁶⁰ Lordon, *Willing Slaves of Capital: Spinoza and Marx on Desire*, xi.

demonstrably superior growth to non-VC-backed firms and thus, when successful, provide greater returns to founders.⁴⁶¹

Growth imperatives are formalized in the contractual arrangements of the term sheet and are what make them a feature of contractual, and thus contracted, time. Liquidation preferences, for instance, ensure that the entrepreneur gets relatively or actually nothing for achieving moderate success, but can obtain exponential equity gains for exceptional success, measured by the value of equity at the point of exit.⁴⁶² It is a mechanism in which the economic (finance) and control aspects of VC are drawn together (contracted) in the VC-Entrepreneur relationship. By keeping the entrepreneur financially dependent, by giving them only the capital they need to survive until the next milestone and ensuring all revenue is reinvested as growth capital for the firm, VCs are ensuring not only the valorization of their investment (E/E'), but also the continued opportunity to take additional equity stakes in the firm as it requests additional capital (M) in each subsequent round of funding.⁴⁶³ Again, for as long as the rules are followed and a fund stays in existence, exit can be repeatedly deferred. VCs, like entrepreneurs, thus have an incentive to *not* want a positive cash flow from their

⁴⁶¹ Growth in new firms is surprisingly rare. Research suggests less than 10 percent of new organizations grow in any way, and less than 4 percent add more than 100 employees over their lifetime. See Shane, *A General Theory of Entrepreneurship*, 6; Colombo and Grilli, "On Growth Drivers of High-Tech Start-Ups: Exploring the Role of Founders' Human Capital and Venture Capital," 610–11.

⁴⁶² Bains, *Venture Capital and the European Biotechnology Industry*, 125.

⁴⁶³ "[E]arly market entrepreneurs are not called to focus on, nor are they oriented toward, making money ... Although this comes in many and varied forms, perhaps its most prevalent one is the *hockey stick forecast of revenue growth* ... If venture capitalists are the ones with the money, and a hockey stick forecast is one of the rules you follow to get that money, then they will be sure to follow those rules." Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 217.

portfolio firms prior to exit.⁴⁶⁴ Equity, growth, and exit come together to produce this effect.

What is a somewhat newer feature of the VC process, however, is that startup profits be abandoned (at least temporarily) to aid startup growth. Today, it has become a norm. Of all the VC-backed private companies Pitchbook has on record, 87 percent are classified as revenue generating but unprofitable. Moreover, 30 percent of those unprofitable firms are classified as “late-stage,” suggesting they have not only been in operation for many years but are approaching readiness for exit. They are as such in the end days.⁴⁶⁵ So central is this model to the VC-Entrepreneur relationship that William Sahlman, in what is today considered a one of *Harvard Business Review*’s “must read” articles on entrepreneurship and startups, has illustrated it as a component of his ideal business plan for an entrepreneur seeking outside investment (Figure 1.6).

⁴⁶⁴ “[P]ositive cash flow from operations liberates the enterprise from reliance on the problematic availability of external capital.” William H. Janeway, *Doing Capitalism in the Innovation Economy*, Second (Cambridge, UK: Cambridge University Press, 2018), xx; Some have even suggested that positive cash flow is a sign of *failure*, because revenue removes the incentive to iterate a product and continue growing. See Antonio Garcia Martinez, *Chaos Monkeys: Obscene Fortune and Random Failure in Silicon Valley* (New York, NY: Harper Collins, 2016), 43–44.

⁴⁶⁵ There were 139,669 companies on record at the time of retrieval, with 121,603 listed as unprofitable. 37,336 were classified as “later stage VC.” Pitchbook Data, accessed May 18, 2023.

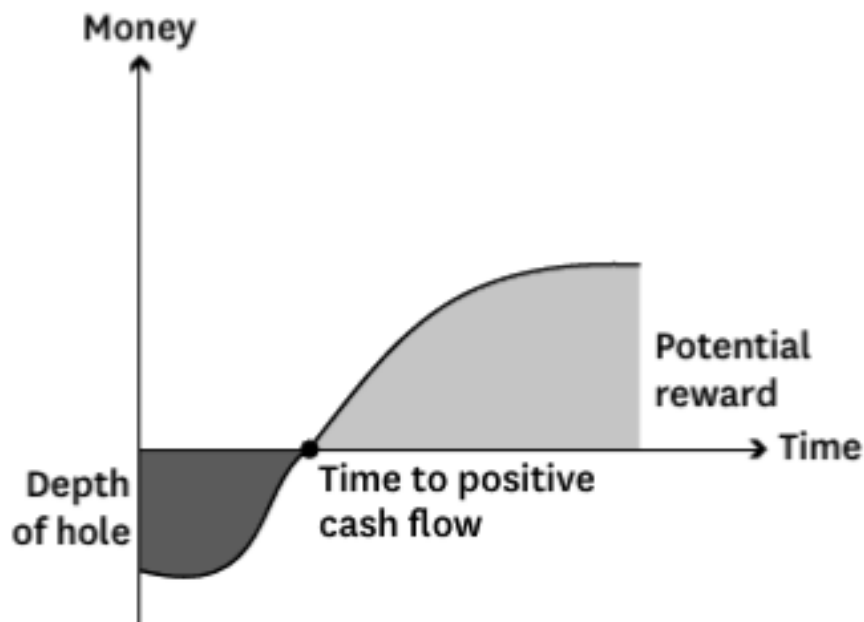


Figure 1.9 – Growth before Profits (Sahlman)⁴⁶⁶

At first this model may seem counterintuitive,⁴⁶⁷ but there are numerous reasons why growth before profits is effective. For one thing, by avoiding profits an entrepreneur can avoid tax liabilities that might slow down growth by reducing the availability of working capital. If all invested capital (and where available revenue) is reinvested back

⁴⁶⁶ Sahlman describes this as a visualization of risk and reward intended for investors (e.g. VCs). Image taken from Sahlman, “How to Write a Great Business Plan,” 28.

⁴⁶⁷ Peter Thiel argues that the notion a business exists to make money (i.e. profits) is a “delusional popular belief,” behind which lies a “contrarian truth.” In this case that contrarian truth is that businesses can do quite well—in fact, even better, without profits. And without the imperative to achieve monetary realization, these businesses have a better chance of changing the world. Thiel’s underlying point is that by abandoning profits in the pursuit of growth (with the aim of achieving a monopoly-like hold on the market) you are arbitraging risk in the market. You are doing something unexpected and thereby creating a space for yourself to win that market. You are exploiting the unwillingness of others to take certain kinds of actions, and in doing so are left with an advantage. By not playing by the rules while everyone else adheres to them, you are all but cheating to win. See Thiel and Masters, *Zero to One*, 12.

into the firm with the aim of achieving growth (G), then value (E/E') increases uninhibited and undiminished. If value was realized as profits (M'), however, this would be a tax liability, and value would be diminished before it could be reinvested (in part or in whole). Profit is, as such, a "liability and a drain on growth."⁴⁶⁸ Thus, deferring profits for as long as possible is desirable.

To achieve and maintain growth momentum, however, it may be necessary that the embedded entrepreneur abandon both their original idea and ideals.⁴⁶⁹ Recall, from the systemic perspective of the VC process, the product an embedded entrepreneur is required to produce is growth (G) and whatever use-value it is that they are supposed to make is entirely irrelevant. So common is the occurrence of abandonment that it has been given a name, "pivoting," which appears throughout both the practitioner and academic literature on VC and entrepreneurship.⁴⁷⁰ It is summed by the mantra "strong opinions, loosely held," a phrase frequently repeated by VCs and entrepreneurs.⁴⁷¹

Pivoting can occur as a result of early customer feedback during execution, and may involve relatively minor business plan adjustments, or it may occur because an original idea could not be executed at all but VC capital remains in hand and a new or

⁴⁶⁸ Drucker, *Innovation and Entrepreneurship*, 194.

⁴⁶⁹ "Do not fall in love with your idea." Tamaseb, *Super Founders*, 93.

⁴⁷⁰ "Research has shown, in fact, that the vast majority of successful new business ventures abandoned their original business strategies when they began implementing their initial plans and learned what would and would not work in the market." Christensen, *The Innovator's Dilemma*, 155.

⁴⁷¹ This was once the Twitter Bio of Marc Andreessen and has frequently been expressed by many others including Chamath Palihapitiya of Social Capital and Nat Turner of FlatIron. It is used to express the sentiment of going all in but being ready to pivot and go all in for something else if that does not work (i.e. does not produce exchange value). That it is so often repeated as wisdom suggests it has become a cliché. The entrepreneurial mindset is anything but diverse. Ferriss, *Tools of Titans*, 173; Tamaseb, *Super Founders*, 55; Griffin, *A Dozen Lessons for Entrepreneurs*, 241.

tangential idea may still have commercial value. In the latter case an entire business may change focus. Famous pivots include Slack, YouTube, Instagram, Starbucks, PayPal, to name but a few. The Slack case appears with particular regularity. As the story goes, co-founder Stewart Butterfield left Yahoo to start an online gaming platform called Glitch, and to aid this business developed a communication system called Slack. As Butterfield puts it, “We didn’t succeed [at Glitch], but we were super-efficient ... When we realized we would never work without a system like this again, we decided it [i.e., Slack] could be a product.” Butterfield and his team used the cash they had left from VCs to develop Slack into a product, and within five years exited in a public offering worth \$20 billion.⁴⁷² Arguably, this case is cited so often because it is a success story—and yet, what happened to Butterfield’s dream of online gaming? His success was achieved as a result of transforming a means towards his end into an end in itself, a hallmark trait of instrumental reason under capitalism.⁴⁷³

The problem with the Slack success story, and the reason it has become so ubiquitous, is that it *is* a success story, and Butterfield appears to have embraced his new identity as co-founder of Slack. Others, however, have found themselves forced to pursue ideas that run counter to their wishes, merely in order to stay alive as a becoming entrepreneur, to be rewarded for all their sunk effort so that, maybe next time, they

⁴⁷² Tamaseb, *Super Founders*, 87–94.

⁴⁷³ I do not wish to dwell on this point but merely note that this is the central thesis of Horkheimer and Adorno’s critical theory classic, *The Dialectic of Enlightenment*. Instrumental reason becomes a distorted reason precisely because the means become and end in themselves and all human ideals are abandoned in the incessant pursuit of the ultimate means to have become an end in itself, money. Horkheimer and Adorno, *Dialectic of Enlightenment*.

can pursue what they really want to pursue.⁴⁷⁴ Although, in searching through the literature it seems few ever do. In a widely read *Wired* article, for instance, this story reads very differently. The founders of Boomtrain went from seeking to change the world to creating an eCommerce plugin that could keep them solvent, in the game, and that was the desired product of their investors. Relevantly, the URL for that article contains the stub “no-exit.”⁴⁷⁵

Undoubtedly, one may question whether online gaming was that noble a pursuit in the first place, but this is to miss the point. As a norm of the process, pivoting demands that all utility be absorbed into the VC process. *Everything* that is new and has potential value will be made subject to the laws of VC and capital and transformed or abandoned if it cannot be realized as exchange value. The issue is that pivoting is about getting to market and has relatively little to do with the underlying product. This is why John Doerr’s OKRs, Geoffrey Moore’s book *Crossing the Chasm*, and Eric Ries’ *The Lean Startup* have all become required reading for entrepreneurs taking venture money—they strip utility out of the equation and focus solely on execution to market.⁴⁷⁶ Consider that this process applies whether we are talking about online gaming, generative artificial intelligence (AI), high-tech weaponry, space travel,

⁴⁷⁴ One way of describing this, as I have been suggesting throughout, is by saying that use-value has been abandoned in the pursuit of exchange value. It is, as such, an expression of the embedded entrepreneur as a becoming entrepreneur—and as a becoming capitalist.

⁴⁷⁵ Lewis-Kraus, “One Startup’s Struggle to Survive Silicon Valley’s Gold Rush.”

⁴⁷⁶ Recall the mantra expressed and repeated by leading figures such as John Doerr and Sam Altman that ideas are easy and execution is everything. The way in which these texts have become required reading (often pushed by VCs) is expressed in the testimonials and forewords of each of the following books: Doerr, *Measure What Matters*; Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*; Ries, *The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*.

CRISPR applications (including vaccines), augmented reality, medical devices, or anything (and everything) else.

In pursuing growth at all costs, no matter how important or world-changing the original mission may once have been, morals and ethics can often be abandoned with or without the original idea. Numerous embedded entrepreneurs and ventpreneurs have gone to jail for either falsifying accounting documents pertaining to growth, or for manufacturing growth by falsifying the capabilities of the underlying product,⁴⁷⁷ and many others have simply behaved like “assholes.”⁴⁷⁸ In the end, ideas and ideals are both subordinated to execution.

* * *

To sum up the argument so far, I have attempted to show that the VC process has an internal relation to itself coterminous with the VC-Entrepreneur relationship. The relative isolation of this part of the process from the exigencies of capitalism is engendered by the exit “event” that separates the exigencies of capitalism from the VC-Entrepreneur relationship. Exit both suspends the requirement for monetary realization demanded by the law of capital (M—C—M’) and at same time keeps it in play as both a threat and enticement. Because the law of capital is never eliminated but merely

⁴⁷⁷ This topic shall be taken up in more detail in Chapter 5. Mahdawi, “30 under 30-Year Sentences.”

⁴⁷⁸ Journalist Emily Chang claims she has frequently heard, in the context of Uber, that if co-founder Travis Kalanich wasn’t “an asshole” then the company could not have soared to a \$70 billion dollar valuation. Immoral behavior is on this account being held up as a virtue for delivering growth. Chang, *Brotopia*, 128.

suspended in a finite but variable time horizon, exit obtains a disciplinary function for actors operating within the VC-Entrepreneur relationship and thus appears not merely as an event, but as a process. Drawing on the work of Albert Hirschman, I have characterized this disciplinary function as “voice” and thus as a sublimation of politics (i.e., governance), for it involves using the levers of power available in a situation with no alternative to alter the behaviors of actors caught within that field of necessity. The specific behaviors required are mediated by both growth and equity, the latter of which is a symbolic value representation of the former. The indeterminacy of exit, both in terms of its positive or negative connotations for an entrepreneur, as well as the uncertainty of its date of arrival within a limited temporal horizon of the fund and a particular round of funding, incentivizes certain behaviors—encoded within contractual provisions of the term sheet and definitive agreements—that are oriented towards the intensification of growth (in terms of both speed and magnitude) as a means of maximizing equity value. This is what I have described as the general formula and law of VC (E—G—E’). The exit event as such produces a temporal “space” (a holding cell) delimited by contractual obligations that as a result of underlying temporal finitude structured into VC funds is characterized by a contracting time structure. I refer to this as “contracted time” to capture both its contractual and contracting elements, and so as to ultimately suggest that all acts fulfilled as a part of the internal relation of the VC process are contracted towards the exit “event” as a point of singularity. Thus, unlike in Hirschman’s account, where exit and voice are seen as alternatives, in the VC process they come together as economics and governance (or control); it is this added

feature—governance, control, discipline—that makes VC distinct from other forms of finance and entrepreneurship. The task now required is to explore the other side of this process—the external relation of the VC process to the capitalist system, and of the effects the internal relation of VC has to eventual monetary realization.

[CHAPTER 2]

Anti/Establishmentarianism

A Critical Political Economy of Venture Capital

“When civilizations are defeated or seem to be defeated, the conqueror is always a ‘barbarian’. It is a figure of speech. A barbarian to a Greek was anyone who was not Greek, to a Chinaman anyone not Chinese ... Whenever the barbarian won, it was because he was already more than half civilized ... Above all, the barbarian only triumphed in the short term. He was very rapidly absorbed by the conquered civilization. The Germans ‘barbarized’ the Empire and then drowned in the land of wine; the Turks became the standard-bearers of Islam from the twelfth century; Mongols, then Manchus, were lost amongst the Chinese masses. The door of the conquered house closed behind the barbarian.”⁴⁷⁹

~Fernand Braudel, *The Structures of Everyday Life (vol. I)*, pp.93-94

“[T]he second period of barbarism may well be the continued empire of civilization itself.”⁴⁸⁰

~Herbert Marcuse, *One Dimensional Man*, p.257

⁴⁷⁹ Fernand Braudel, *The Structures of Everyday Life: The Limits of the Possible*, trans. Siân Reynolds, vol. I, Civilization and Capitalism: 15th to 18th Century (Berkeley and Los Angeles: University of California Press, 1981), 93–94.

⁴⁸⁰ Herbert Marcuse, *One-Dimensional Man* (Boston: Beacon Press, n.d.), 257.

“[N]ot only modern technology and economic organization, but all the features and achievements of modern civilization are, directly or indirectly, the products of the capitalist process.”⁴⁸¹

~Joseph Schumpeter, *Capitalism, Socialism, and Democracy*, p.125

INTRODUCTION: ESTABLISHING DISRUPTION

Venture capitalist Marc Andreessen (a16z) is famed for his opinion on matters relating to technology-driven change and its broader implications in the world. In widely read articles and blog posts such as “Why Software is Eating the World,” “AI Will Save the World,” and most recently “The Techno-Optimist Manifesto,” he has asserted that atoms will be all but consumed by bits, that attempts to decelerate the progress of artificial intelligence (AI) will amount to “a form of murder,” and that technology “opens the space of what it means to be human.”⁴⁸² Given his massive (and arguably outsized) financial and cultural influence over the world of VC, entrepreneurship, and global “techno-culture,” when Andreessen makes an assertion we would be well-advised to listen carefully. In many ways he has the means to actualize much, if not all, of what he speculates upon.

⁴⁸¹ Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition* (Harper Perennial, 2008), 125.

⁴⁸² Marc Andreessen, “The Techno-Optimist Manifesto,” *Andreessen Horowitz* (blog), October 16, 2023, <https://a16z.com/the-techno-optimist-manifesto/>; Marc Andreessen, “Why AI Will Save the World,” *Andreessen Horowitz* (blog), June 6, 2023, <https://a16z.com/ai-will-save-the-world/>; Marc Andreessen, “Why Software Is Eating the World,” *Wall Street Journal*, August 19, 2011, sec. Life and Style, <http://online.wsj.com/article/SB10001424053111903480904576512250915629460.html>.

To get to the crux of his philosophy, however, along with the philosophy underpinning the world of entrepreneurship that he inhabits, renews, and reproduces, we have to go back to a somewhat more obscure statement of his opinion. In a 2014 editorial buried in the “Dealbook” section of *The New York Times*, Andreessen lays out an early treatise on cryptocurrencies entitled “Why Bitcoin Matters.”⁴⁸³ In the piece—foreshadowed by the disclaimer that Andreessen’s VC firm a16z had invested (at the time) just under \$50 million in Bitcoin startups, a figure that by 2022 was estimated to have grown beyond \$4.5 billion⁴⁸⁴—Andreessen compares Bitcoin to the personal computer and internet, suggesting that Bitcoin will, just like the latter, one day become so ubiquitous and necessary for social life that we will all “wonder why its powerful promise wasn’t more obvious from the start.”

What makes the editorial so fascinating is not simply that Andreessen has over time dedicated a large portion of his financial and cultural clout in actualizing this vision, but the contradictory, seemingly duplicitous, claims he makes to justify Bitcoin’s social value. As anyone who knows anything about cryptocurrencies may know, it is often touted as a libertarian’s utopian dream. Indeed, the possibly fictional author of the original Bitcoin whitepaper, Satoshi Nakamoto, once noted that “It’s very

⁴⁸³ Marc Andreessen, “Why Bitcoin Matters,” *The New York Times*, January 21, 2014, sec. DealBook, <https://dealbook.nytimes.com/2014/01/21/why-bitcoin-matters/>.

⁴⁸⁴ Jacquelyn Melinek, “A16z Will ‘Continue to Tailor’ Its Multibillion-Dollar Crypto Funds to Market Opportunities, GP Says | TechCrunch,” *TechCrunch*, April 8, 2023, <https://techcrunch.com/2023/04/08/a16z-will-continue-to-tailor-its-multi-billion-dollar-crypto-funds-to-market-opportunities-gp-says/>.

attractive to the libertarian viewpoint if we can explain it properly.”⁴⁸⁵ Andreessen takes a different approach, however, and instead attempts to demonstrate its appeal to anti-capitalist political organizers. And thus, a question immediately arises: why would someone who has the word “capitalist” in his job title argue for a system or tool that could be used to dismantle capitalism?

The response I receive from most people that I meet or interview is some variation of “it’s obvious—he wants to make money!” But this, I think, is a simplification. Undoubtedly, Andreessen wants and is incentivized to make returns on his investments, but why cryptocurrencies? As one would suspect, the appeal he is making to anti-capitalists is not as straightforward as it may appear. Bitcoin and all its variants might actually be useful to anti-capitalist organizers in the short term, but in the long run, the massive infrastructure required to build it will be centralized and consolidated by capitalists. In fact, even when seen from a technical perspective, it becomes clear that Bitcoin’s claims of decentralization, heterarchy, and so forth, conceal a different reality—the fact that Bitcoin and other major blockchains (e.g. Ethereum) are just *massive* monolithic databases distributed across many nodes. It *looks* like decentralization, and indeed there is some decentralization in terms of how the data may be modified and so forth, but ultimately it remains a consolidated, concentrated entity. As Jack Dorsey, co-founder of Twitter, once put it in a tweet (that Andreessen vigorously objected to):

⁴⁸⁵ Satoshi Nakamoto, “Bitcoin: A Peer-to-Peer Electronic Cash System,” n.d.; “Bitcoin P2P E-Cash Paper | Satoshi Nakamoto Institute,” accessed February 15, 2024, <https://satoshi.nakamotoinstitute.org/emails/cryptography/12/>.

“You don’t own “web3.” The VCs and their LPs do. It will never escape their incentives. It’s ultimately a centralized entity with a different label. Know what you’re getting into...”⁴⁸⁶

Part of the answer to this puzzle lies in the simple fact that few people are fond of the establishment. Whether it’s the bureaucracies of the state, or educational institutions, or of private firms such as Standard Oil, Tyson Foods, Luxottica, Anheuser-Busch, and so on, everyone seems to love seeing the establishment being taken down a peg in favor of the “little guy,” the antiestablishment disruptor. That is, everyone likes to see concentrated power negated. Don’t they?

The reality is that in the context of VC-backed entities, the antiestablishment disruptors generally have, and are incentivized to have, only one goal in mind: to become part of the establishment. Whether by replacement or alliance the antiestablishment will, if it is successful, at some point⁴⁸⁷ enter into the world of the establishment. Only this time, power will be *even more* concentrated. And, moreover, the new incumbents will be even more aware of the precarity of their position, adopting any means necessary to protect it.

This is in fact exactly the playbook that one of a16z’s biggest investment successes, Coinbase, has engaged in since its founding.⁴⁸⁸ Aware of the “disruption”

⁴⁸⁶ web3 is the purported next phase of the internet, and distinguished from the current internet by its foundation in blockchain-based technologies—the same technologies underpinning Bitcoin and other crypto applications. Jack Dorsey (jack@jack). 2021. Twitter. Dec 20, 7:51PM <https://twitter.com/jack/status/1473139010197508098?s=20>

⁴⁸⁷ In VC terms this point is the point of exit, as the argument in this chapter will show.

⁴⁸⁸ Coinbase is described by Pitchbook as “is the leading cryptocurrency exchange platform in the United States.” “Pitchbook Data,” accessed May 18, 2023, <http://pitchbook.com>.

environment in which they operate, they have not only hungrily and rapidly acquired over 20 smaller firms, but even set up their own CVC entity to manage acquisitions and value or technology capture moving forward. Brian Armstrong, one of the co-founders, has been said to have started the firm after reading the Bitcoin whitepaper and deciding that future demand for the *infrastructure* would be a gold mine.⁴⁸⁹ That is, he saw the opportunity to monopolize a part of the infrastructure underpinning this supposedly decentralized technology and application.

The underlying reality of this situation, I want to claim, is that Andreessen—like the VC industry in general—is appealing to an antiestablishment sentiment amongst the public and young, hungry entrepreneurs, in order to bring them into a system that can accumulate upon their productive or consumptive contribution. Aside from the fact that Bitcoin is just a centralized database dressed in the cloak of decentralization, it is also, really, just an attempt to wrestle the institution of money away from the hands of the state (the ultimate “establishment”) and into the hands of private actors—those who own the technology; those who own the means of production.⁴⁹⁰ As we know from Marx, money is at the heart of all that is capitalism—it is the universal, mediating commodity, and the vessel of social power.⁴⁹¹ Thus, it would appear, Bitcoin is less about negating the establishment than it is about changing

⁴⁸⁹ Ali Tamaseb, *Super Founders: What Data Reveals About Billion Dollar Startups* (New York, NY: Hachette Book Group, 2021), 129.

⁴⁹⁰ The state should be understood as the ultimate establishment because, at least in theory, it is the limit of sovereign power and thus defines all that follows from it. It is the master of all social, territorial, and political dominion. Everything, from early modernity onwards, depends upon it.

⁴⁹¹ David Harvey, *The Limits to Capital* (UK: Verso Books, 1999), 245.

its beneficiaries. It is about using antiestablishment forces to remake the establishment, and continuing to do so even once this establishment has been won. More than economics, it is about social power and control over the world.

What makes Andreessen's appeal to the antiestablishment potential of Bitcoin so galling is that he is, arguably, already a well-established member of the establishment. By any account his VC firm—which was once an antiestablishment VC firm attempting to disrupt the world of VC with value-add services like networking skill, CEO training, and marketing services—is massive; one of the biggest in the world with some of the largest funds ever raised, and constituted by a structure that looks very much like an establishment corporation.⁴⁹² More than this, he and his business partner Ben Horowitz were, all the way back in 2011, already ranked number six on Vanity Fair's "New Establishment" list, alongside a host of other "Big Tech" household names.⁴⁹³

The case I want to make in this chapter is that Andreessen, and entrepreneurial actors like him, are in reality neither antiestablishment nor establishment actors. They are instead part of something new, something that straddles the two positions in order to exploit the advantages of both. I call this entity—be it a process, field, or practice—the *anti/establishment* in order to signify its ambivalence. This is the "once-was" antiestablishment that has become the new establishment and is thus able to recognize

⁴⁹² Lucinda Shen, "What Andreessen Horowitz's Recent Hiring Surge Says about the Venture Capitalist," *Fortune*, September 9, 2021, <https://fortune.com/2021/09/09/what-is-a16z/>.

⁴⁹³ Vanity Fair, "The 2011 New Establishment List: And the Top Spot Goes To...," *Vanity Fair*, September 1, 2011, <https://www.vanityfair.com/news/2011/09/the-2011-new-establishment-list--and-the-top-spot-goes-to---?>

the benefits, advantages, and risks of both worlds. In the following pages I will make the claim that it is the VC process that mediates this ambivalence, particularly when analyzed from the perspective of exit in relation to the external world of global capitalism.

I approach the topic in this chapter by exploring the exit process from its “external” aspect, taking into consideration everything that was addressed in Chapter 1. My argument is that, when successful, the transition through exit (regardless of form) constitutes a transition from antiestablishment to establishment status while at the same time encouraging a reinvestment in new antiestablishment firms as a means to preserving establishment power. The title of this chapter thus reflects the ambivalence between those who we would classify themselves as members of the capitalist establishment and those who would purportedly seek to disrupt it. While the establishment remains the establishment, my focus here is on antiestablishment actors who have become (or are seeking to become) members of the capitalist establishment as a result of their graduation through exit. These actors, familiar with the disruption paradigm and the necessity of continuous disruptive innovation, are thus not *simply* establishment actors, but are establishment actors marked by a trace of antiestablishment sentiment. They are, I claim, the agents responsible for renewing and reproducing a system that we will refer to as the “anti/establishment.” At the center of my argument, as the mediating and facilitating factor of this ambivalence, lies the VC process and its concomitant industry. The chapter has four parts.

In part one, I provide a descriptive account of the pathways through exit, paying particular attention to IPOs and M&As. Along with an enumeration of the agents and incentives that come into play as and when the VC-Entrepreneur relationship is dissolved by exit, I attempt to show how the general formula for capital comes back into play while exploiting the general formula for VC.

In part two, I explore the structural and processual means by which exit—represented as an event but conceptualized as a process—permits a radical break in the VC process between its “internal” and “external” operations. Whereas in Chapter 1, the general formula for VC was explored from the perspective of a single firm, I here provide an investor perspective on the formula and introduce the concept of “portfolio thinking.” I also here explore what I describe as an economic “moral hazard” that emerges as a consequence of VC and exit process, along with the way that VC vacillates in ambivalence with regard to macroeconomic conditions.

Part three addresses intertemporal speculation in the VC process. Revisiting themes from Chapter 1, I argue that valuations ascribed at the point of exit are based on an external form of contracted time. Exit is a temporal singularity in which value, represented as equity (E), is a function of implied growth based upon an image (i.e., a possible world) of future monopoly.⁴⁹⁴ That this monopoly is to be achieved by means

⁴⁹⁴ I shall, throughout this chapter and the subsequent chapters, use the term “monopoly” as shorthand for the actualization or pursuit of market dominant positions. This is in accordance with how VC and VC literature speaks about itself. It is also, arguably, the *ideal* goal of VC-backed entrepreneurship. In many cases, however, the reality will be more akin to oligopoly. This distinction should be considered throughout in case the claims of my argument appear too bold or strong. For context, the US Department of Justice (DoJ) has determined that “as a practical matter, a market share of greater than fifty percent has been necessary for courts to find the existence of monopoly power,” and that “this observation does not apply to claims of attempted monopolization.” See

of disruptive innovation, however, further implies that it is not just our economic, but also our social, cultural, and political future that threatens to become fixed in place.

In the final part I show how renewal and reproduction come together in the exit process and how VC facilitates the subsumption of competition and novelty within the power preserving function of monopoly and the status quo. It is only by accepting the functional ambivalence of renewal and reproduction that we can fully understand the impact of VC and can see this field of anti/establishment for what it truly is.

I: PATHWAYS TO EXIT: A CAPITALIST GRADUATION

In Chapter 1, we examined the VC process in its “internal” relation to exit expressed as an event. This limited the analysis to a consideration of the VC process in relation to itself, as coterminous with the VC-Entrepreneur relationship and as a process absolved from the normal exigencies of capital and the capitalist system. In this chapter, my goal is to explore the VC process from its “external” relation to exit, which implies an analysis of how the VC process interacts with the capitalist system.

In terms of the general formula for VC (Figure 1.5) this requires an examination of the sequence (M) ... (X)—C—M’. However, just as the internal relation of the VC process expressed (M)—E—G—E’—(X) was driven by the implication of eventual commodification (C) and profit (M’), so too shall we see that the commodification and profit are driven by the implication of growth (G) and equity (E/E’). That is, the

https://www.justice.gov/archives/atr/competition-and-monopoly-single-firm-conduct-under-section-2-sherman-act-chapter-2#N_31

commodity value of VC-backed firms at the point of exit is an *implied* valuation extrapolated from private valuations of equity that are largely determined by VC-fueled growth trajectories.

The main conceptual challenge in what follows will be to distinguish the general operations of capital from the special modifications wrought by the VC process. The goal is to show how VC accentuates capitalism's worst excesses by delivering it a continuous stream of novelty, while at the same time facilitating the absorption of this novelty within the reproductive apparatus of traditional capitalist operations. The title of this chapter, then, reflects an ambivalence between the radicality of entrepreneurial action (startup firms backed by VC), the conservatism of the accumulation practices that facilitate it, and the ambition for market domination that is inherent to the covenant of VC-backing. On the one hand, there is a contradiction between (1) the establishment money feeding VC funds (e.g., university endowments, sovereign wealth funds, family offices, and so forth), (2) the dominance of established VC firms with relatively unchanging practices, and (3) the antiestablishment sentiment of "upstart startups" wishing to disrupt social action as it relates to capital-driven production, distribution, and consumption. On the other hand, there is a contradiction between the same "upstart startups" who wish to dethrone powerful players in established industries and their ultimate aim to *become* establishment actors on a new playing field of their own disruptive making. The outcome, I aim to show, is a renewal of capitalist reproduction.

The Return of Capitalism: Agents and Incentives

To begin, we must revisit and deepen our understanding of the pathways to and from exit. As stated in Chapter 1, the VC process begins and ends with the fund. Thus, the first pathway to exit is the formation of the fund symbolized by (M) which sits astride both the general formula for capital and the general formula for VC (Figure 1.5). I have placed this element on the border between the two formulas as it pertains to both “internal” and “external” action. The internal component relates to the provision of capital to entrepreneurial ventures. This was examined in Chapter 1 and shall not be revisited here. The external component of (M), however, relates to the VC fundraising process that occurs (or at least should occur) prior to any binding engagement with an entrepreneur.

As was explained in the introduction and Chapter 1, the VC process is organized as a limited partnership (Figure 1.2). Limited Partners (LPs) allocate a portion of their overall investment portfolio to the VC asset class as a means of diversification and in the pursuit of obtaining financial returns in excess of the Public Market Equivalent (PME).⁴⁹⁵ To raise these funds, agents associated with a VC management company (firm) will create a fund structure and appoint General Partners (GPs) to the fund. These GPs will go on a fundraising roadshow, “pitching” the fund to investors in a similar manner to how entrepreneurs must pitch VCs for funding. Whereas some funds are

⁴⁹⁵ To put this in context, Yale’s endowment, one of the most famous in the world, has returned 18 percent on average over the past decade compared to the 8 percent return of the S&P 500. Yale, however, tends to allocate a higher portion (16 percent) of its endowment to VC than other LPs (~5 percent). The VC portion of its portfolio has returned 77 percent annually. Scott Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It* (Penguin Random House, 2019), 54.

designed for general purpose investing, others are specialized towards specific sectors, geographies, technologies, or even networks.⁴⁹⁶ Depending on the purpose or theme of the fund, a GP will have to temper their pitch to sell the investment opportunity and some LPs will decline based on misalignment between fund purpose and LP strategy.⁴⁹⁷ GPs will need to demonstrate how they will generate deal flow, what the value capture opportunity is, why they in particular are best suited to execute the funds and generate returns, and so on. In short, they will have to show how they will make returns on invested funds. Furthermore, they will need to outline the structural characteristics of the fund, including its eventual aggregate size, how many startup investments a GP anticipates in the portfolio, and the amount of capital invested in each portfolio firm.⁴⁹⁸

LPs come in a range of guises, the most common being banks, corporations, endowments (universities especially), family offices,⁴⁹⁹ fund-of-funds,⁵⁰⁰ foundations, high net worth individuals, insurance companies, pension funds, sovereign wealth

⁴⁹⁶ “Networks” here means particular sources of entrepreneurial deal flow, such as the startup accelerator scene dominated by Y Combinator. A network-specific fund of this type would use the funds specifically for investing in startups and entrepreneurs coming through recognized startup accelerators. Winter Mead, *How to Raise a Venture Capital Fund: The Essential Guide on Fundraising and Understanding Limited Partners* (San Francisco: Winter Mead, 2021), 35.

⁴⁹⁷ For example, some LPs may not want to invest in certain geographical regions, such as Europe or China. Mead, 114.

⁴⁹⁸ The term “aggregate size” is included here to indicate that any LP being pitched to will be one of many. The most commonly cited number of LPs associated with a fund is between 10 and 30. VCs, where they have the power to determine such things, will aim to ensure that no single LP dominates the fund. Should a fund perform poorly, and an LP decides not to reinvest in a follow-on fund, the VC management company would want to ensure this is not a death sentence to their business. Collectively, the pool of LPs investing in a fund is known as the “LP base.” In a well-organized fund, the largest investors will comprise no more than five to ten percent. Mead, 39, 137, 139.

⁴⁹⁹ Family offices are private wealth advisors who manage the investment funds of extremely wealthy families or individuals (those with \$30 million or more to invest). A variation of this LP is the multi-family office, which is the same concept but not dedicated to one family or individual.

⁵⁰⁰ Fund-of-funds are LP funds managed by LPs. In this scenario the LP investing in a VC fund is investing funds given to them to manage as part of a second-order limited partnership arrangement.

funds, and even VC funds.⁵⁰¹ The general theme is that LPs are entities of status, means, and power. By virtue of such, they are invariably members of what we may refer to as the establishment. In all cases they must be classified as accredited (which in most cases simply means “wealthy”) investors.⁵⁰²

Similar to the VC-Entrepreneur relationship, the LP-GP relationship is governed by contractual (and contracting, given the temporal structure of a fund) arrangements. The document outlining the terms of the LP-GP relationship is known as the Limited Partnership Agreement (LPA).⁵⁰³ The terms generally accounted for in the LPA include identifying information for the fund (i.e., the names and locations of the legal entities associated with the fund), the target (overall) fund size, investment strategy, the investment period and fund term, industry focus (if applicable), minimum and preferred returns, carried interest and management fee allocations, and reporting requirements.⁵⁰⁴ In general, the LPA is designed to ensure GPs are disciplined and act

⁵⁰¹ Collectively, the pool of LPs investing in a fund is known as the “LP base,” and a goal for the GP is to ensure LPs allocations are distributed across the fund such that no single LP dominates. In a well-organized fund, the largest investors will comprise no more than five to ten percent. Mead, *How to Raise a Venture Capital Fund*, 8–11, 139.

⁵⁰² While an IPO makes a company’s equity available to the public without exclusion after the initial offering, equity stakes in private companies are issued as unregistered securities and thus restricted to actors designated as ‘accredited investors.’ In the US, an accredited investor is required to have a minimum \$1 million net worth or to have earned at least \$200,000 each year for the past two years. No competency requirements apply beyond this wealth requirement even though the entire accreditation process is based upon the assumption that wealth possession is the equivalent of investor sophistication. EU rules are more stringent and require that an investor meet two out of the three following conditions: minimum wealth (€500,000), previous history of trade (10 transactions over €50,000 per quarter over 4 quarters), professional experience in the financial sector (minimum of 12 months).

⁵⁰³ Additional documents that may be involved include the Due Diligence Questionnaire (DDQ) outlining any questions that arise as the GP does due diligence on the LP and vice versa, and Private Placement Memorandum (PPM), that outlines the fund strategy, terms of investment, and the specific market opportunity. The PPM is essentially a business plan Mead, *How to Raise a Venture Capital Fund*, 106.

⁵⁰⁴ Mead, 47.

in the interests of LPs.⁵⁰⁵ Thus, just as an entrepreneur is answerable to the VC, the VC is answerable to their LPs.⁵⁰⁶

Once established, the LP-GP relationship, similar to the VC-Entrepreneur relationship, is subject to a contracting time horizon. Whereas the contracting time horizon of VC-Entrepreneur is defined by and coterminous to a term sheet and each subsequent round of funding, the LP-GP relationship is defined by and coterminous to an LPA and lifetime of funds (which are designed to be “self-liquidating” and will dissolve around a decade after inception).⁵⁰⁷ Over the course of a fund’s lifetime, multiple investments will be made and various exits executed. At the end of a fund’s lifetime, the LPs will expect a return on their investment. Thus, the paper valuations of portfolio firms (E/E’) will need to be transformed (C) into real cash or liquid assets (M’).⁵⁰⁸ While the returns from individual exits may be distributed to the LPs prior to the end of a fund’s lifetime, all that ultimately matters is that the portfolio and fund as a whole are valorized (E’) to produce their requisite returns (M’). Thus, the original model for the general formula for venture capital, seen from its external aspect (the

⁵⁰⁵ Categories of provisions to ensure discipline include limitations related to: the amount invested in individual firms (to avoid a GP recklessly attempting to salvage failing firms in order to obtain their carry); the use of debt; cross-fund investment (i.e. using money from one earlier or later fund to finance firms in another fund); the amount of capital a GP may personally invest in firms (to avoid “favoritism”); new fundraising activities before a certain amount of existing fund capital has been allocated; and the investment class or category that funds may be used for. Paul Gompers and Josh Lerner, *The Venture Capital Cycle* (Massachusetts, USA: MIT Press, 2006), 73–79.

⁵⁰⁶ Brad Feld and Jason Mendelson, *Venture Deals: Be Smarter than Your Lawyer and Venture Capitalist*, 4th Edition (New Jersey: Wiley, 2019), 169.

⁵⁰⁷ Gompers and Lerner, *The Venture Capital Cycle*, 23.

⁵⁰⁸ Ali Tamaseb, *Super Founders: What Data Reveals About Billion Dollar Startups* (New York, NY: Hachette Book Group, 2021), 236.

perspective of GPs and LPs), looks different to its expression in terms of an individual investment (Figure 2.1).⁵⁰⁹

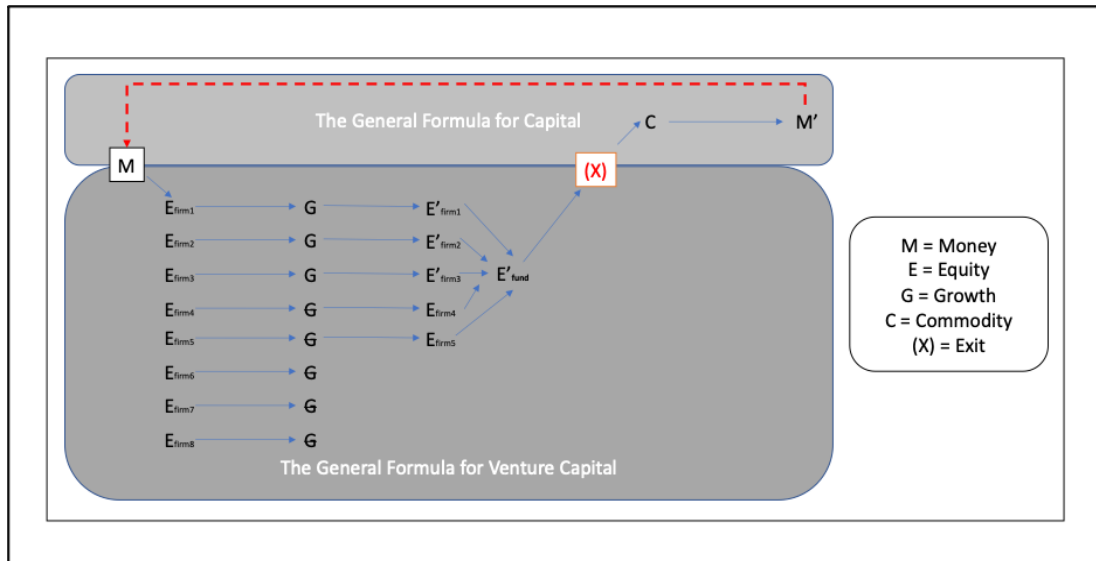


Figure 2.1 – The General Formula for Venture Capital (Portfolio View) (Source: Author)

As can be seen, the money (M) raised from LPs is used to make multiple investments (each instance of E). Some firms will grow (G), others will not. The VC will make decisions on a case-by-case basis which firms continue to receive funding. Some will fail entirely while others will fail to achieve adequate equity valorization; the remainder, it is hoped, will achieve levels of valorization such that they can return the entire fund and more.

⁵⁰⁹ For the purpose of simplification, Figure 2.1 shows only one instance of exit. This will not be the case, of course, as each firm will exit independently. The purpose of this illustration is to show that, from the perspective of fund performance, all that matters is the *aggregate* valorization of equity (E'_{fund}). As such, exit is here represented as a fixed component of the process that may be utilized repeatedly, as opposed to an unique historical event.

The goal of any fund is to achieve a valorization of the equity purchased *in aggregate* (E'_{fund}), such that this equity can eventually be transformed into a liquid asset such as cash (M'). If the fund has been a success, and the LPs are looking for continued investment opportunities, there is a good chance they will reinvest the gains in a new iteration of the general formula for capital, and with it the subroutine I have described as the general formula for VC (represented by the dotted red line at the top of Figure 2.1).

To encourage reinvestment, VC firms will at a certain point go on “roadshows” to gauge and encourage investor interest in new funds. And to garner interest they will, where available, use the near-term (current and previous year) fund performance as a demonstration of potential future returns. Reputations matter immensely in the world of VC⁵¹⁰ and often reputations are made (and unmade) on the basis of fund performance.⁵¹¹

Forms of Exit

The exit process has five main pathways. IPOs and acquisitions (M&A) are considered successful exits; wind-downs and bankruptcies (i.e., liquidation), buybacks (whereby a VC sells equity back to an entrepreneur), and secondary purchases (wherein the equity

⁵¹⁰ The subject of reputation, particularly when it manifests as a form of capital, will be taken up in Chapter 5. See Gompers and Lerner, *The Venture Capital Cycle*, 56.

⁵¹¹ Fund performance mediates reputational capital which, in effect, creates a temporal pipeline of monetary capital (i.e., increases the likelihood of successful fundraising in the future). Bernard S. Black and Ronald J. Gilson, “Venture Capital and the Structure of Capital Markets: Banks versus Stock Markets,” *Journal of Financial Economics* 47, no. 3 (March 1998): 243–77.

is sold to another investor) may all be considered unsuccessful exits.⁵¹² VCs have been shown to pre-plan primarily on the basis of “successful” exits only, for unsuccessful exits are typically far less profitable and thus less likely to positively affect fund-level returns.⁵¹³

An IPO is the ultimate prize for an entrepreneur and is one of the primary motivations for an entrepreneur seeking VC funding. According to Strebulaev and Gornall, 43 percent of all US IPOs since 1974 have been for VC-backed firms.⁵¹⁴ On average, these firms outperform those without VC funding.⁵¹⁵

The reasons for pursuing an exit by IPO are numerous. IPOs are spectacular media events that raise a company’s profile and validate its worth. Through an IPO, a firm obtains media exposure that can introduce it to a new and broader set of customers, partners, distributors, employees, and so forth, including on an international scale. Many government or international agencies that will not buy from a private firm suddenly become potential sources of capital and income. Entrepreneurs are now no longer subject to continuous fundraising pitches or the disciplinary impositions of

⁵¹² Cochrane notes a selection bias in the data on VC exits, with most analyses accounting only for IPOs, acquisitions, and outright failures (i.e. winddown). The list I have included here attempts to account for some of these less accounted for types of (unsuccessful) exit. John H. Cochrane, “The Risk and Return of Venture Capital,” Working Paper, Working Paper Series (National Bureau of Economic Research, January 2001), <https://doi.org/10.3386/w8066>.

⁵¹³ Dirk De Clercq and Dimo Dimov, “Venture Capital Firms: A Human Capital Perspective,” in *Handbook of Research on Venture Capital: Volume 2 A Globalizing Industry*, ed. Hans Landström and Colin Mason, vol. 2 (Cheltenham, UK: Edward Elgar Publishing, 2012), 87.

⁵¹⁴ Will Gornall and Ilya A. Strebulaev, “The Economic Impact of Venture Capital: Evidence from Public Companies,” SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, November 1, 2015), <https://doi.org/10.2139/ssrn.2681841>.

⁵¹⁵ Jay Kesten, “The Law and Economics of the Going-Public Decision,” in *The Oxford Handbook of IPOs*, ed. Douglas Cumming and Sofia A. Johan (New York, NY: Oxford University Press, 2018), 33.

private investors and can, instead, by virtue of having *commodified* their stock on a public exchange, raise millions or even billions of dollars in a single day by simply issuing debt or selling shares on the open market.⁵¹⁶ An IPO is normally pursued when private investors have reached a limit on the amount of capital they are willing or able to invest for growth and are now in pursuit of liquidity (or they believe public markets will offer a higher valuation than future private valuations, which may have dried up anyway because a company is *too* valuable to make further investment worthwhile).⁵¹⁷ Crucially, a firm also becomes a more able acquirer of other firms as they may now issue their stock as partial payment for M&A activities.

On the flipside, going public imposes several onerous obligations that can discourage entrepreneurs from pursuing an IPO and can even incentivize them to seek the M&A alternative. These include: a new temporality of quarterly reporting and thus quarterly operational cycles—what Karen Ho describes as “shareholder temporalities”—which can negatively affect innovation investment (public investors discourage short-term investment spikes);⁵¹⁸ new rules around disclosures that both require, on the one hand, publicizing previously confidential information, and on the other hand, restrict transparency with employees; being subject to broader

⁵¹⁶ When equity is traded on a public exchange its liquidity improves significantly. This is one factor behind my motivation to express equity converted at exit as a commodity (C) in my formalization of the VC process. Nihat Aktas, Christian Andres, and Ali Ozdakak, “The Interplay of IPO and M&A Markets,” in *The Oxford Handbook of IPOs*, ed. Douglas Cumming and Sofia A. Johan (New York, NY: Oxford University Press, 2018), 201–32; Frederic Kerrest, *Zero to IPO: Over \$1 Trillion of Actionable Advice from the World’s Most Successful Entrepreneurs* (McGraw-Hill, 2022).

⁵¹⁷ Constance E. Bagley and Craig E. Dauchy, *The Entrepreneur’s Guide to Law and Strategy*, Fifth Edition (Boston, MA: Cengage Learning, 2018), 691.

⁵¹⁸ Karen Ho, *Liquidated: An Ethnography of Wall Street* (Durham: Duke University Press, 2009).

macroeconomic forces and the so-called “vagaries of the market”; and additional regulatory requirements, such as those specified in the Sarbanes-Oxley Act of 2002 (SOX).⁵¹⁹ In some cases, especially when private funding is in generally plentiful supply, a firm may simply try to delay going public indefinitely while aggressively pursuing continuous growth (this will keep private investors flocking for the opportunity to provide capital).⁵²⁰

After an IPO has taken place, participating shareholders are generally required by IB underwriters to hold on to their equity for a minimum of six months. This is known as the “lockup” period and has several justifications. If equity was not locked in this way, for instance, there could be an incentive for VCs to overinflate the value of portfolio companies at the point of exit and to dump the stock before public markets correct.⁵²¹ Another reason, related to the first, is a certification of value—if respected investors are willing to hold on to the equity then that gives confidence to buyers of the stock that it will appreciate in value. Third, if private investors such as VCs were to dump their stock immediately after exit, the sudden increase in supply would disrupt

⁵¹⁹ Kerrest, *Zero to IPO: Over \$1 Trillion of Actionable Advice from the World’s Most Successful Entrepreneurs*. Firms with less than \$1.235 billion in annual gross revenue may be classified in a public filing as an “emerging growth company” (EGC). EGCs are permitted to make confidential filings to the SEC and are subject to less onerous regulatory disclosures and reporting requirements. For more information, see <https://www.sec.gov/education/smallbusiness/goingpublic/EGC>

⁵²⁰ To give some examples, SpaceX was founded in 2002 and remained privately (i.e. VC) backed for 16 years before pursuing an IPO in 2016; Stripe was founded in 2010 and remains privately backed as of 2023; Palantir was founded in 2003 and did not go public until 2020 (17 years later); Airbnb was founded in 2008 and stayed private for 12 years; and Uber was founded in 2009 and stayed private for 10 years.

⁵²¹ Gompers and Lerner, *The Venture Capital Cycle*, 352.

the price curve leading to a sudden drop in valuation.⁵²² Thus, while VCs do often liquidate stocks after a lockup period in order to return cash to LP investors, they also very commonly distribute unsold shares based on current market valuation as this can provide an immediate exit when selling stock on the open market would otherwise be a slow process.⁵²³

At the time of writing, the M&A alternative is far more commonly used as an exit pathway. Whereas IPOs constitute around 15 percent of all exits, up to 50 percent are pursued via M&A (with the rest classified as unsuccessful).⁵²⁴ This balance has shifted over time, however, and this shall be explored later in the chapter.⁵²⁵ An M&A exit, also known as a business combination, can be executed in three ways: as an asset acquisition (which excludes business ownership and liabilities), stock acquisition (which includes assets and business liabilities), or merger.⁵²⁶ Although the price per share that investors are willing to pay in an M&A exit may be less than for an IPO, one major benefit is the opportunity to obtain immediate liquidity.⁵²⁷ An acquisition or

⁵²² SEC Rule 144 prohibits stock sales by company affiliates (which includes VCs) in excess of 1 percent of outstanding stock in any three-month period. Bagley and Dauchy, *The Entrepreneur's Guide to Law and Strategy*, 479–80.

⁵²³ Gompers and Lerner, *The Venture Capital Cycle*, 352.

⁵²⁴ Tamaseb, *Super Founders*, 236.

⁵²⁵ It is estimated that prior to the 1990s, exits by IPO and M&A were evenly distributed. Aside from a brief spike during the dotcom “boom,” the share of exits by IPO has steadily declined with the global financial crisis of 2008 moving IPOs into their current, relatively low, proportional volume. It is estimated that between 1980 and 2000 310 firms went public every year, while between 2001 and 2014 the average was just 110. Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 249; William H. Janeway, *Doing Capitalism in the Innovation Economy*, Second (Cambridge, UK: Cambridge University Press, 2018), 90; Douglas Cumming and Sofia A. Johan, eds., *The Oxford Handbook of IPOs* (New York, NY: Oxford University Press, 2018).

⁵²⁶ In general it is presumed that all sellers prefer stock deals (i.e., sale of the entire company) whereas all buyers prefer asset only deals (so that they do not acquire any liabilities). Feld and Mendelson, *Venture Deals*, 225.

⁵²⁷ Bagley and Dauchy, *The Entrepreneur's Guide to Law and Strategy*, 616, 618.

merger can be executed using cash, deferred cash payment or promissory notes, via a stock exchange, or via a combination of cash and stock.⁵²⁸ While SEC rules may still limit the amount of stock that can be liquidated at any given time, no six month lockup period applies because the exchange is not associated with an IPO.

Acquiring firms come in two types, financial and strategic, and depending on the type different incentives apply. Financial acquirers, for example, generally purchase a company for short-term financial gain and may sacrifice the firm's long-term strategy. For entrepreneurs who have nursed a firm into existence, this may be a devastating scenario. Strategic acquirers on the other hand often share the long-term strategy of an acquired firm, even though they may control day-to-day operations.⁵²⁹ For many entrepreneurs, the M&A process is interpreted as an "acquihire," in which the original business, product, or technology may disappear as a distinct offering and absorbed into the acquiring company's own operations, but the founder-entrepreneur(s) (and potentially other employees) are hired by the acquiring organization on lucrative and desirable employment contracts.⁵³⁰ For some perhaps less ambitious entrepreneurs, this is the strategy from day one.⁵³¹

From a VC perspective, even unsuccessful exits will be seen as an opportunity to recoup a portion of the capital invested in a portfolio firm. If the startup is subject to

⁵²⁸ In a full or partial stock exchange, an acquiring company will offer a target company its own corporate stock. Bagley and Dauchy, 637–38.

⁵²⁹ Bagley and Dauchy, 618.

⁵³⁰ Antonio Garcia Martinez, *Chaos Monkeys: Obscene Fortune and Random Failure in Silicon Valley* (New York, NY: Harper Collins, 2016), 96–97.

⁵³¹ This topic will be expanded in Chapter 3a. There I will argue that capturing and valorizing human capital is a core characteristic of the VC-Entrepreneur ecosystem under capitalism. Acquihire is only one such example of this phenomenon.

a buyback or secondary sale, for instance, the VC will attempt to maximize any stated valuation (while balancing the likelihood of being able to achieve a sale) in order to minimize or even eliminate losses from the fund as a whole. However, if the purchase offerings in either scenario fall short of the base asset values of the firm (minus any financial liabilities), then the VC may attempt to force a bankruptcy filing or wind-down.⁵³² A further consideration in this scenario is the level of secured debt that a startup may have (i.e., liabilities). In a bankruptcy or winddown scenario, all secured debts must be paid prior to equity holder distributions taking place. Employees must also be paid.⁵³³ Technically, a business corporation is considered insolvent when the sum of its debts exceeds the value of its assets.⁵³⁴ Because in many cases a startup may have few or intangible assets, and only enough capital to finance its operations between funding rounds, this type of business often operates on the edge (if not entirely in the space of) insolvency. Because VCs invest in companies with high growth potential, the present value of a firm may be irrelevant, but this assessment may depend almost entirely on a continued demonstration of actual or potential growth (G). Even when little to no capital can be reclaimed through a wind-down, the VC may consider this

⁵³² In the US, a bankruptcy filing does not necessarily lead to winddown. Filing for Chapter 11 of the US Bankruptcy Code means a company can retain possession of its assets and propose a plan to restructure for solvency. Filing a Chapter 11 bankruptcy provides several advantages towards salvaging an insolvent business, including a stay on creditor actions, the power to reject unfavorable contracts, and the capacity to limit damages on outstanding leases. Filing a Chapter 7 bankruptcy, on the other hand, entails appointing a trustee responsible for liquidating all assets and distributing the proceeds to creditors. Bagley and Dauchy, *The Entrepreneur's Guide to Law and Strategy*, 415, 435.

⁵³³ The obligations to employees vary depending on whether the company is filing for bankruptcy or is simply winding down. In the latter scenario, employees must be given 60 days notice and the equivalent wages. In a bankruptcy, employees may claim up to \$12,850 in unpaid wages only after debtors have been paid (assuming funds remain). Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 243; Bagley and Dauchy, *The Entrepreneur's Guide to Law and Strategy*, 406.

⁵³⁴ Bagley and Dauchy, *The Entrepreneur's Guide to Law and Strategy*, 414.

pathway prudent from the perspective of the fund as it avoids any commitments to supply additional capital that might instead be directed to other portfolio firms with greater growth and thus value potential. In many cases, the decision to pass on a new round of funding—unless some other exit option exists—will be a death sentence to the firm. In any case, as per Chapter 1, VCs by virtue of their board representation and term sheet control provisions often have a significant capacity to determine when and in what form an exit will take place, and such decisions may be motivated by the temporal and financial exigencies of the fund as much as the requirements or potential of any individual firm.⁵³⁵

New Agents and Incentives

The external view of exit introduces several additional actors, actions, and incentives to those outlined in Chapter 1. These are enumerated in Table 2.1 and shall be discussed in the following sections. Aside from LPs, the exit process introduces us to IB underwriters, institutional investors, public investors, acquiring companies, secured creditors, and government regulators.⁵³⁶ Much as with the incentives laid out in Chapter 1, actors engaging with the exit process from its external perspective are subject to a shifting temporal structure that is not adequately captured by prevailing agency theory interpretations. Not only do incentives shift over time, but actions taken by actors

⁵³⁵ Kesten, “The Law and Economics of the Going-Public Decision,” 37.

⁵³⁶ Specialist attorneys also play a role in the exit process. However, their incentives are almost universally to protect the interests of their clients and are therefore represented by the actions and incentives already listed on the table and not included separately.

throughout the process have long-term implications that may affect future rounds of investment.⁵³⁷

The main point of divergence in incentive structures relates to whether an actor is incentivized to think in terms of a fund or individual firm. Naturally, startup founders and employees are incentivized to prioritize interests pertaining to the individual firm, as too are IBs, secured creditors, institutional investors and, eventually, public investors. However, IBs also have to think about their long-term reputation—they need to maintain positive relationships with both institutional investors (i.e., not leading them into poor investments) and VCs with whom they may compete for future exit opportunities.⁵³⁸

For GPs and LPs, the fund is everything. Because GPs are incentivized by carried interest returns over and above any given hurdle rate (the minimum return percentile stipulated by an LP) their goal will always be to maximize the value of the

⁵³⁷ During fundraising, for example, a VC will attempt to draw upon past and present fund performance as an illustration of capability and as a component of their sales pitch. For young VC firms with little to no track record, this can lead to “grandstanding” in which they are incentivized to rush portfolio firms through to exit with sometimes overpriced valuations. In the short term, this can aid deal flow for investment, but in the long term it may be damaging to portfolio firms and both institutional and public investors who have overpaid (some have even argued that it was a tendency for grandstanding that led to the dotcom boom and subsequent bust at the turn of the millennium). Because fund investment is cyclical, as per the general formula for capital ($M \dots (X) - C - M' \dots$), VC firms have to consider future reputational signals as part of their present action. Even firms forced into winddown or into undesirable acquisitions have an incentive to maintain positive relations in the VC community to maximize the possibility of future investment (in new startup ventures). This is all part of the entrepreneurial game introduced in Chapter 1 and will be discussed further in Chapters 3a, 3b, and 5. Paul A. Gompers, “Grandstanding in the Venture Capital Industry,” *Journal of Financial Economics* 42 (1996): 133–56; Tom Nicholas, *VC: An American History* (Cambridge, Massachusetts: Harvard University Press, 2019), 238.

⁵³⁸ At the time of writing, Goldman Sachs dominates the field, leading all peers in terms of M&A and IPO deals. They are closely followed by JPMorgan Chase and Morgan Stanley. Courtney Carlson, “IPOs Are Coming Back: Time to Buy the Dip on These Bank Stocks? | Nasdaq,” *NASDAQ*, November 4, 2023, sec. News and Insights, <https://www.nasdaq.com/articles/ipos-are-coming-back:-time-to-buy-the-dip-on-these-bank-stocks#>.

fund even if this leads to excessively risky strategies for individual portfolio firms. On the other hand, the LPs, who effectively propel the entire VC process—i.e., if their goals are not met, the entire edifice collapses—are the most removed from the actual operations or outcomes of individual firms, and thus if we are to think of VC incentive structures as a pyramid, with LP incentives taking priority above all others, then it becomes apparent that those with the least knowledge or interest in startups (and by association the innovations, products and businesses they bring into being) are those with the most influence. As VC and former entrepreneur Mitch Kapor puts it:

“[T]here are contradictions inherent in the venture capital business because there are significant aspects of what VCs do ... that are collaborative with entrepreneurs, and there are other aspects that are not ... You know why VCs are like this? It’s not that they are bad people; it’s the limited partners. And who are the limited partners? Our great institutions—Harvard University, Stanford University, UC Berkeley. So if you want to point up the chain of accountability, when those people stop measuring performance just based on the return numbers, things could change, because they’ll change the incentives.”⁵³⁹

⁵³⁹ Interviewed in Jessica Livingstone, *Founders at Work: Stories of Startups’ Early Days* (USA: Apress, 2008), 101.

	Fundraising	Leading up to Exit	At or During Exit	Post-Exit
General Partners (GPs) (Pre-Seed, Seed and Series A, B, C)	- Market VC firm to potential investors based on historical and current fund performance - Identify and obtain LP investment for future funds - Maximize fund size - Negotiate best fee and carried interest rates - Ensure LP balance in fund (no LP dominates)	- maintain liquidation preferences - established firms: build largest funds possible (large management fees) - new firms: build small or modest funds to maximize return multiple on exit - begin fundraising for follow-on funds (maximize present representations of value) - aid portfolio firms in achieving ~40 percent annual growth - maintain operational liquidity - use secondary equity markets if necessary - monitor for market liquidity (required if shares are to be sold post IPO) - maximize equity stakes in most promising firms - maximize valuations (during new investments/funding)	- established firms: - new firms: demonstrate valorization of portfolio ("grandstanding") - ensure exit path (IPO, M&A, Winddown) is beneficial to fund in conjunction with all other investments - obtain 20 percent carried interest payout - carry out dual fiduciary duties towards common and preferred shareholders	- Begin new fund investments - cycle begins anew - Distribute shares to LPs or liquidate shares on open market (after lockup period) and return cash to LPs - Use previous fund performance for sales pitch in future fundraising

General Partners (GPs) (Growth Investors, typically Series D, E)	- Market VC firm to potential investors based on historical and current fund performance - Identify and obtain LP investment for future funds - Maximize fund size - Negotiate best fee and carried interest rates - Ensure LP balance in fund (no LP dominates)	- ensure a return on investment (participating preferences may be invoked) - delay exit until adequate growth has taken place (unless participating preferences negate) - begin fundraising for follow-on funds (maximize present representations of value) - aid portfolio firms in achieving ~40 percent annual growth - maintain operational liquidity - use secondary equity markets if necessary - monitor for market liquidity (required if shares are to be sold post IPO) - maximize equity stakes in most promising firms - minimize valuations (when looking to invest) - maximize valuations (for existing investments)	- ensure exit path (IPO, M&A, Winddown) is beneficial to fund in conjunction with all other investments - obtain 20 percent carried interest payout - carry out dual fiduciary duties towards common and preferred shareholders	Begin new fund investments - cycle begins anew
Limited Partners (LPs)	- invest in VC funds as a conduit for wealth - Invest in opportunities that can beat public market equivalent (PME)	- invest in VC funds as a conduit for wealth - push investment liabilities onto others - monitor for ~20 percent annual compounded returns	obtain a return of around 3x original investment	Reinvest earnings in new funds and in opportunities (based on current macro conditions and previous fund performance)
Startup Founders	N/A	- ensure ownership is retained and maximized - persist in executive function (i.e., as CEO)	(if feasible) protect power and control by issuing multi-class stock (e.g. Google)	- maintain steady growth - protect revenue streams and main business outputs (i.e. product, technology)

		• obtain long-term security (via acquihire, or continuity as public corporation) • Demonstrate historical and future growth trajectories to encourage investment and higher valuations	• Avoid underpricing (maximize capital injection without overpricing)	• seek expansion / innovation opportunities through R&D and M&A • shift practices from disruptive innovation to sustaining innovation (protect value) • Maintain positive relationship with VCs and VC community • Meet quarterly goals and maintain shareholder disclosures
Startup Employees (Equity Holders)	• N/A	• vesting of stock options • maximize equity valorization • help business build towards a lucrative liquidity event	• execute stock options • cash out where possible	• hold on to any remaining stock as appreciating asset • Maintain positive relationships within startup community (for future employment) • Continue with normal operations, sustaining innovation, and consistent salary input
Investment Banks (IBs) / Underwriters	• N/A	• compete for best prospective deals • ensure due diligence is thorough and complete	• avoid overpricing - ensure no stock dumping (lockup) • Ensure positive outcomes for institutional investors	• provide investor reporting to clients to maintain long term stock interest • Maintain reputation for future exit opportunities
Public Investors / The Public	• N/A	• N/A	• N/A	• purchase shares in promising firms as early as possible to catch asset growth
Institutional Investors	• N/A	• obtain best IPO price for high-growth stock • gain access to most promising opportunities (i.e. maintain relationships with best IBs)	• maximize equity purchases	• avoid stock dumping to aid price stability and steady growth

Acquiring Firms	N/A	- obtain best price-per-share for valuable firm, human capital, products, or technology - Retain human capital via double trigger provisions (i.e. delayed vesting of stock options)	- ensure stable transfer of assets/stock - ensure relevant disclosures to public and institutional investors	integrate and maximize value proposition of acquired entity into core business operations and growth
Secured Creditors	N/A	- monitor firm to ensure debts will be serviced - resell risky debt to 3rd parties (e.g., collections agents)	ensure all debts are paid prior to other obligations	N/A
Government Regulators (e.g. SEC, DOJ)	Ensure all investors in public or private securities are accredited to the appropriate level	- ensure all securities are registered - ensure all securities are traded according to public regulations - ensure disclosures meet minimum corporate standards (e.g. generally accepted accounting principles, or GAAP)		- Monitor business operations (including proposed or executed M&A activities) to ensure avoidance of antitrust violations - Sue, where appropriate, and take legal action against antitrust violators - break up if necessary - Ensure continued compliance with disclosure requirements

Table 2.1 – Exit Incentives and Actors (Source: Author)

A Critical Perspective on Exit Pathways

Looking at the various pathways through exit from a critical and more holistic standpoint, it becomes apparent that the general formula for capital ($M—C—M'$) stands true not only as an abstract representation of capitalist accumulation, but as a representation of the abstractness of capitalist accumulation—that is, it demonstrates the vacuous nature of capitalist practices focused solely on the accumulation of value in its monetary (i.e., exchange) form to the exclusion of content or utility (i.e., use value). In terms of the VC process, the general formula for capital stands true with an added subroutine (as per Chapter 1) and as an end-to-end process may be represented $M—E—G—E'—(X)—C—M'$, with M' being used to feed the process anew.

One consideration a GP will have to make when identifying and pitching to LPs is the likelihood of the LP participating in subsequent funds. The long-term liquidity requirements of LPs, as well as their sensitivity to market volatility, are all factors a GP must consider.⁵⁴⁰ The ideal LP, therefore, is one interested in long-term capital accumulation, with sufficient means to weather macroeconomic twists and turns. Thus, the overarching cycle of establishment capitalist accumulation, aside from a temporal delay, is in no way functionally disrupted by the VC process.

While the specific character of exit may take any one of the five pathways outlined above, the type chosen will emerge as a product of the internal character of

⁵⁴⁰ Mead, *How to Raise a Venture Capital Fund*, 142.

the VC process for any given firm or portfolio.⁵⁴¹ Let us examine each in turn. In an acquisition (M&A) scenario, it may be presumed that growth has been achieved (G—E') but that additional growth is either: (a) unlikely if not combined with some external corporation (i.e., an external instance of E); or (b) is an opportunity or threat to the growth and value of some external corporation. Thus, an acquisition may be formalized as $(G—E')_{\text{acquired}} + E_{\text{acquirer}}$, the speculative aim of which is to achieve $E_{\text{acquirer}}—G—E'_{\text{acquirer}}$. The result is that the process of value accumulation represented by the VC process is repeated in a non-VC context, external to the VC process.⁵⁴² On the other hand, in an IPO scenario it is presumed growth has similarly been achieved (G—E'), yet on a scale that suggests E'—G is likely in a self-sustainable manner—that is, without any need to combine the equity of the exiting firm with the equity of an existing corporation. While private investors may need or decide to retain some equity beyond the exit by IPO event, this equity will have been forced into a conversion at the liquidation event⁵⁴³ and will have become common (instead of preferred) stock that, beyond the lockup period, may be traded on a public market exchange—it is thus

⁵⁴¹ As shown in Figure 2.1, there are multiple lines of E—G—E' within any given portfolio or fund and not all behave in the same way. Consider the following scenarios. In a winddown, secondary sale, or buyback, it may be presumed that the value of a firm's equity (E) has not grown (i.e., has not achieved E—G) and may have even diminished in value. In this scenario the pathway to exit would be M—E—(X)—C—M. If firm growth leads to equity valorization, however (i.e., G—E', which logically implies E—G), exit will proceed according to its optimal sequence (G—E'—C—M') as an exit by IPO or M&A.

⁵⁴² By achieving E—G—E' a public corporation encourages further interest and investment in its stock as it continues to grow. This is precisely the same scenario as we have examined in the VC process, only this time it occurs in public equity markets.

⁵⁴³ As per Chapter 1, although it is not strictly accurate to do so, I am treating an IPO as a "liquidation event" because it provides liquidity to investors. It does not, however, "liquidate" the firm or its stock.

represented from this point on as C rather than E'. It is as such, entirely undifferentiated from the equity that any other member of the public may own.⁵⁴⁴

As all scenarios demonstrate, the factors of decision involved in determining the specific form of exit depend not merely on historical performance, but rather on the speculative performance of a firm and its ability to achieve equity valorization (E') through *future* growth (G). Thus, although the VC process ends at the point of exit, the general principles driving it are externalized and carried forward into the traditional capitalist system.

One of these principles is the principle of growth before profits.⁵⁴⁵ As Lena Khan has shown in her influential critique of Amazon's accumulation practices (Amazon, of course, being a formerly VC-backed firm), pursuing growth as a substitute for revenue and profit, particularly when this facilitates low consumer pricing—or even seemingly free consumer services, as is the case with the majority of social media—is a mechanism for building monopolies in plain sight while avoiding antitrust violations.⁵⁴⁶

⁵⁴⁴ There is one exception to this, and that is when founders make a public offering with a dual class stock structure. The founders of Google pioneered this situation, which has become more common, as a means of retaining control after selling firm equity. The dual class structure allowed them to retain company shares with greater voting and governance rights than other common shareholders.

⁵⁴⁵ By using the phrase “growth before profits” in relation to public companies I am not suggesting that growth takes place before profits become a concern (i.e. temporally). Rather, I am using the phrase here to suggest that growth takes *priority* before profits.

⁵⁴⁶ It would be a stretch, however, to suggest that these practices avoid antitrust *scrutiny*, particularly as Khan has since become chair of the Federal Trade Commission (FTC) and has been making a point of extending her critical analysis into the public sphere through lawsuits against “big tech” titans such as Facebook (Meta), Microsoft, and Amazon. See Lina M. Khan, “Amazon's Antitrust Paradox,” *The Yale Law Journal* 126, no. 3 (January 2017), <https://www.yalelawjournal.org/article/amazons-antitrust-paradox>.

While few companies can escape the requirement to have revenue, losses for post-exit still-growing firms can be astonishingly high. When Moderna, for example, released its COVID-19 vaccine (mRNA-1273) in late 2020, having received emergency use authorization from the FDA and a \$1.5 billion pre-order from the Trump administration,⁵⁴⁷ it constituted the first product Moderna had ever released in its decade-long history. This despite the fact Moderna had, almost a full two years prior, been subject to the largest biotech IPO (initial public offering) in history.⁵⁴⁸ Which is even more remarkable given that from at least 2016 up until well after the release of mRNA-1273, Moderna's annual net operating loss could be counted in the hundreds of millions, with a peak loss of \$747 million in 2020 (Figure 2.2).⁵⁴⁹

⁵⁴⁷ "CDC Museum COVID-19 Timeline," Centers for Disease Control and Prevention, March 15, 2023, <https://www.cdc.gov/museum/timeline/covid19.html>.

⁵⁴⁸ Lydia Ramsey Pflanzner, "Moderna Just Priced the Biggest IPO in Biotech History, Valuing the Startup at \$7.5 Billion," Business Insider, December 6, 2018, <https://www.businessinsider.com/biotech-moderna-prices-initial-public-offering-2018-12>; Sy Mukherjee, "Moderna Had the Biggest Biotech IPO Ever. Here's What That Says About the Industry's Future," *Fortune*, December 8, 2018, <https://fortune.com/2018/12/08/moderna-ipo-biotech-future/>.

⁵⁴⁹ Move forward to 2021 and the story looks very different. That year, Moderna reported \$12.2 billion profits, followed by \$8.4 billion in 2022. The resulting pattern, often referred to as a J-curve or hockey stick, can be seen in Figure 2.2. We shall return to this point. "Moderna Net Income 2017-2023 | MRNA," accessed May 22, 2023, <https://www.macrotrends.net/stocks/charts/MRNA/moderna/net-income>; "Annual Reports," accessed May 22, 2023, <https://investors.modernatx.com/financials/annual-reports/default.aspx>.

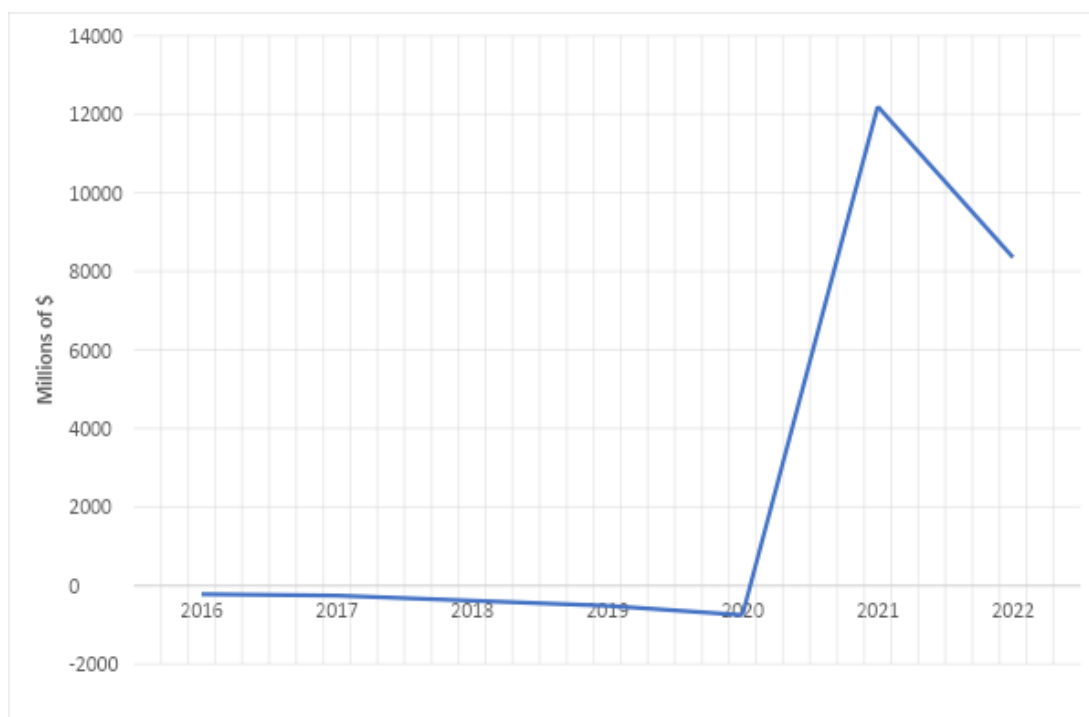


Figure 2.2 – Moderna Therapeutics Net Loss⁵⁵⁰

The crucial point of the Moderna story is that it is not atypical. Massive IPOs happen for unprofitable VC-backed companies all the time—Amazon, Twitter, Snap, Spotify, Lyft, Peloton, Uber all went public while operating at a (sometimes massive) loss. Some of them are still immensely unprofitable. Amazon, which holds something approximating a monopoly in online retail, famously never made a profit before 2003, six years after going public, and didn’t have profits exceeding \$1 billion until 2016 (it even posted a \$2.7 billion loss in 2022). Uber runs at multi-billion-dollar losses every year and has done so since going public. And Peloton, despite modest profits at the

⁵⁵⁰ Source: Moderna Annual Financial Reports. Accessible at <https://investors.modernatx.com/financials/annual-reports/default.aspx>. Data accurate as of July 30, 2024.

height of the pandemic, has also consistently run at a loss ranging from hundreds of millions to multiple billions.

The purpose behind this pathological focus on growth, of course, is to ensure a firm grows into market dominance or a monopoly position and—crucially—*appears* able to sustain that position. In part, then, the question of whether market dominance is possible is one of the factors determining whether an IPO or other form of exit will take place, related to which is the question of whether a market will be big enough to satisfy investors. As the VC Ben Horowitz puts it:

“When analyzing whether you should sell your company [i.e., pursue an exit by M&A], a good basic rule of thumb is if (a) you are very early on in a very large market *and* (b) you have a good chance of being number one in that market, then you should remain stand-alone [i.e., exit by IPO].”

Horowitz’s examples are Google, who early on received multiple acquisition offers exceeding \$1 billion but declined knowing the market they could grow into was more valuable than any acquirer could pay, and Pointcast, a buzzy internet application that also turned down multiple billion-dollar acquisition offers but didn’t have a market to grow into and was eventually sold for around \$7 million.⁵⁵¹

Such failures cannot fully explain, however, why M&A remains the primary category for VC-backed exits nor, moreover, why the primacy of IPO versus M&A exit

⁵⁵¹ Ben Horowitz, *The Hard Things About Hard Things* (New York, NY: Harper Business, 2014), 258; John Lettice, “PointCast Bows out for a Mere \$7 Million,” accessed December 8, 2023, https://www.theregister.com/1999/05/11/pointcast_bows_out/.

has shifted over time. Macroeconomic conditions (discussed below) are undoubtedly one factor, but they alone do not explain how and why IPO and M&A markets interact under the VC process. Putting these two forms of exit together, though, a picture forms of how they are mutually beneficial to the increasing centralization and concentration of capital in its monopoly form. While IPOs are a means of building platforms and products so powerful and dominant that they *are* the market they seek to win, M&A deals are the means to negate threats while entrenching the market dominance of establishment players.⁵⁵² Moreover, from a VC perspective, M&A deals can be spectacular in size (see Table 2.1) and returns do not wholly depend on an active IPO market given that any (public or private) corporation seeking growth can be a potential acquirer (although, as explained below, recent IPOs are more likely to engage in M&A deals).⁵⁵³ Thus, VCs use M&A deals as both a hedge against market conditions and a means to continuous, predictable returns.

From a corporate perspective, this helps shore up one's market dominance, expanding operations through M&A as opposed to R&D while also negating the threat of would-be disrupters. Adobe's proposed acquisition of Figma, for example, valued the latter (a VC-backed company) at \$20 billion, a figure dwarfing most IPOs. However, at the end of 2023, the merger was abandoned amidst antitrust opposition

⁵⁵² Margaret O'Mara, *The Code: Silicon Valley and the Remaking of America* (USA: Penguin Books, 2019), 391.

⁵⁵³ In today's market, even unicorns (private companies valued at \$1 billion or more) are generally considered candidates for M&A deals. However, during a market downturn those companies with the highest valuations are the first to see their exit options decline. Lucy Brewster, "M&A for Venture-Backed Startups Has Fallen to the Lowest Quarterly Level in a Decade," *Fortune*, April 24, 2023, <https://fortune.com/2023/04/24/ma-for-venture-backed-startups-has-fallen-to-the-lowest-quarterly-level-in-a-decade/>.

from EU and UK regulators. As the *Financial Times* put it: “The high price that Adobe was willing to pay for San Francisco-based Figma had been seen by critics of the deal as an effort to quash the software giant’s most promising new rival in decades.”⁵⁵⁴ In this light, such a move appears entirely (and nefariously) rational. Conversely, consider the case of Blockbuster Video, who turned down an offer to acquire Netflix for \$50 million in 2000 only to go bankrupt in 2010.⁵⁵⁵ Netflix is today the largest provider of streaming video media in the world, and had Blockbuster acquired Netflix, it might today possess a monopoly over entertainment media (as it all but once did). And then there is the case of PayPal. As VC-Entrepreneur Peter Thiel puts it:

“If you can’t beat a rival, it may be better to merge. I started Confinity with my co-founder Max Levchin in 1998. When we released the PayPal product in late 1999, Elon Musk’s X.com was right on our heels ... in February 2000, Elon and I were more scared about the rapidly inflating tech bubble than we were about each other: a financial crash would ruin us both before we could finish our fight. So in early March we met on neutral ground—a café almost exactly equidistant to our offices—and negotiated a 50-50 merger. De-escalating the rivalry post-merger wasn’t easy, but as far as problems go, it was a good one to have. As a unified team, we were able to ride out the dot-com crash and then build a successful business.”⁵⁵⁶

⁵⁵⁴ Cristina Criddle, Suzi Ring, and Tim Bradshaw, “Adobe and Figma Abandon Proposed \$20bn Merger,” *Financial Times*, December 18, 2023, sec. Mergers and Acquisitions, <https://www.ft.com/content/b75b669f-1161-43e8-86ac-580123433843>.

⁵⁵⁵ Rob Reich, Mehran Sahami, and Jeremy M. Weinstein, *System Error: Where Big Tech Went Wrong and What We Can Do About It* (New York, NY: Harper Collins, 2021), 6.

⁵⁵⁶ Also notable is that Google’s business model, the actual thing that eventually gave them revenue and profitability, was invented by a separate startup called Goto.com (later named Overture) that Google acquired. Peter Thiel and Blake Masters, *Zero to One: Notes on Startups, or How to Build the Future* (Great Britain: Virgin Books, 2014), 42; Liliana Doganova and Fabian Muniesa,

This is, of course, the same Peter Thiel who believes “competition is for losers” and that the fundamental truth and goal of capitalist enterprise is monopoly formation.⁵⁵⁷

Amidst these varying outcomes we can see a pattern emerge in the way that IPO and M&A exits interact and feed off of one another. IPOs are a means to market dominance by bestowing mass investment and public legitimacy, and M&A deals support this goal—either by merging competitors in order to centralize market power, or by negating competition to leave the market uncontested. In either scenario, the incentives all work towards the favor of VC, and for that reason market dominance—or at least its apparent potentiality—is the underlying motivation of exit *as event*.

II: EXIT AS ENTRANCE: THE IRREVERSIBLE THRESHOLD

The Breakpoint of Exit: Commodification and Moral Hazard

As per the general formula for VC, the breakpoint of exit, from a VC perspective, manifests as the commodification of equity ($E'—C$) and the realization of exchange value ($C—M'$). In this regard, exit (as event) constitutes an irreversible threshold

“Capitalization Devices: Business Models and the Renewal of Markets,” ed. Martin Kornberger, Anders Koed Madsen, and Jan Mouritsen (Oxford, UK: Oxford University Press, 2015), 116.

⁵⁵⁷ Peter Thiel, “Competition Is for Losers,” *Wall Street Journal*, September 12, 2014, sec. Life and Style, <https://online.wsj.com/articles/peter-thiel-competition-is-for-losers-1410535536>.

between VC process and capitalism more broadly. As we have seen, while VCs may hold on to equity stakes (either due to lockup rules or as part of a crossover fund strategy) or retain board seats after an exit has taken place, the required conversion of preferred equity into common equity ($E' - C$) dissolves with it both the VC-Entrepreneur relationship (as stipulated in the term sheet and definitive agreements) and all control or governance rights previously allocated to the VC. In short, the VC becomes an undifferentiated shareholder or board member with no special status or structural influence.

As such, a feature of the exit process as it comes and goes is that the role of the VC gradually declines into the background as the portfolio firm itself takes precedence on the public stage and the fund in the private stage. The VC who, up until exit, mediates the entire process, ceases to be perceived as a directly relevant agent. Consequently, from the moment of exit onward, regardless of who owns what equity holdings, VC becomes an historical side story in the narrative of an exited firm's past, present, and future undertakings. By the time criticism and regulatory scrutiny arrives—often as a result of public oversight—VC has long left the scene.

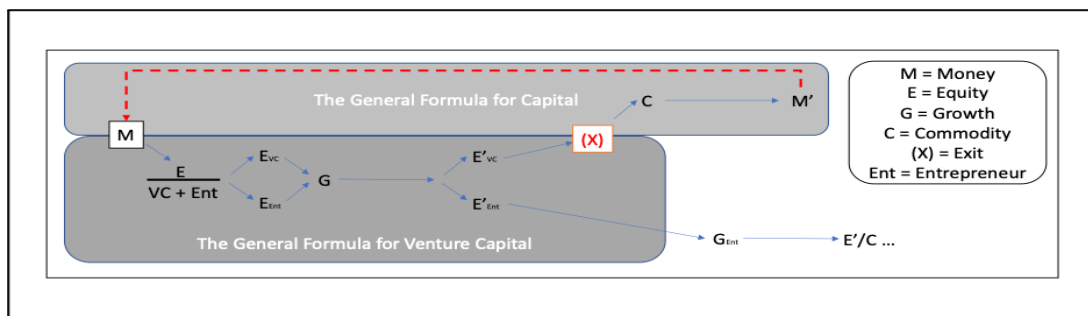


Figure 2.3 – The General Formula for Venture Capital (Exit by IPO) (Source: Author)

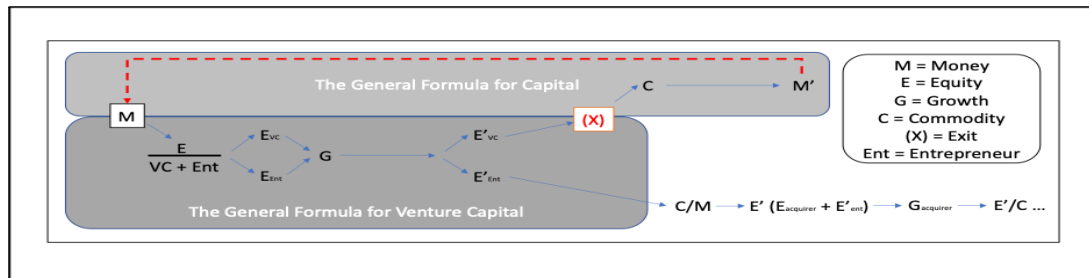


Figure 2.4 – The General Formula for Venture Capital (Exit by Successful M&A) (Source: Author)⁵⁵⁸

Depending on the form of exit, an exiting firm may or may not relinquish its equity holdings. As Figure 2.3 shows, in an IPO scenario the firm's founders will hold on to their ownership stake and continue the question to grow its value. In an M&A exit, however, they will exchange their equity in whole or in part for cash or the stock of an acquiring firm (Figure 2.4). In either case, the journey beyond exit is uncertain and falls outside the concern of VCs and the VC process.⁵⁵⁹ In one of the unsuccessful exit scenarios (e.g., wind-down), all equity will be liquidated and the probability that the startup receives any monetary compensation is both variable (and unlikely).

The irreversible threshold of exit, then, constitutes a radical separation of the inside and outside of the VC process in that, for VCs, the process no longer directly

⁵⁵⁸ In an "unsuccessful" M&A sale the formula would be identical except for the equity not being valorized at the point of exit. Thus, everything to the right of the first growth (G) market would be EEnt and not E'Ent.

⁵⁵⁹ Of course, an exiting firm may already be part of, or may enter the pattern of accumulation associated with the general formula for capital. However, as this is uncertain I have illustrated it in Figures 2.3 and 2.4 as outside of both of the general formulas to demonstrate its post-exit indeterminacy.

concerns the entrepreneur *as* entrepreneur, just as for the entrepreneur the entrepreneurial process no longer involves the VC *as* VC. From this point on, when VCs engage with entrepreneurs, it is as peers in the ventrepreneurial ecosystem of investment and innovation. For firms that have exited by IPO, VCs may wish to offer them new and promising startups for M&A deals, in order to help expand and buttress the firm's business (and to offer the VCs exit opportunities); for firms that have exited by M&A, the VCs may wish to take the ventrepreneur up on a new startup investment, this time as a tried, tested, and thus de-risked resource. By being part of a ventrepreneurial community, actors are therefore privileged with the opportunity to re-enter the VC process after having exited.⁵⁶⁰

While exit invokes no changes to the practices of VCs, exiting firms face a new reality with new priorities and incentives. In an M&A scenario, an exiting firm will adopt the priorities and incentives of its parent acquiring firm. In an IPO scenario, firms will discover they are subject to a new “shareholder temporality”⁵⁶¹ of quarterly and annual reports (SEC 10-Q and 10-K filings, respectively) and must prioritize short-term stability and long-term (steady) growth—a far cry from the blitzscaling ethos of short-term instability, inefficiency, and haphazard growth that, as we saw in Chapter 1, is associated with the pre-exit VC process.

In accordance with this shift, once-were antiestablishment “disrupters” are now establishment actors who must engage in sustaining their core value proposition. The

⁵⁶⁰ We shall return to this point in detail in Chapter 3.

⁵⁶¹ Ho, *Liquidated*, 164–68.

priority is to not *lose* value, and while growth remains an essential goal and crucial for survival, shareholders will in general consider growth secondary to value preservation. Nonetheless, how aggressive a firm is in pursuing growth beyond exit will depend on whether it is revenue producing or profitable.⁵⁶² We shall return to this point.

In any case, at least part of an exited firm's practices will be required to shift from the "disruptive innovation" practiced by startups to the various forms of "sustaining innovation" more appropriate to public corporate operations. The imperative for public firms—whether one becomes public through an IPO or by being acquired by a public firm—is to serve existing customers and thus preserve the core value proposition, leading to what Clayton Christensen famously dubbed "the innovator's dilemma."⁵⁶³ Christensen's argument is that while innovation remains necessary for growth, much of this will come in the form of innovation practices that serve to protect a firm's core value proposition (sustaining innovation), even when those innovations involve radical product or technological changes. That is, while products and technologies may change in the pursuit of growth, the underlying value proposition offered by a firm must be preserved as the edifice upon which everything else rests. Unlike sustaining innovation, disruptive innovation necessitates changes in the behavior of consumers and thus represents a move away from prevailing value

⁵⁶² "A major issue faced by established players is that the incentives tend to favor cautious expansion rather than aggressive blitzscaling. Successful companies generally assume that they already have something valuable, which means risk taking tends to be penalized. If you make the play and fail, you've destroyed a valuable thing." Reid Hoffman and Chris Yeh, *Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies* (New York, NY: Currency [Penguin], 2018), 250.

⁵⁶³ Christensen, *The Innovator's Dilemma*.

propositions.⁵⁶⁴ It is the core practice of startups looking to disrupt existing industries with new or alternative products and markets and is as such precisely what VCs seek when looking to invest. The problem is, if a public firm were to change its consumers' practices through disruptive innovation, that would divert those customer's away from its core—presumably proven—value proposition towards the new and unproven value proposition invoked by the disruptive innovation. A firm would essentially be cannibalizing its own known value in pursuit of some unknown potential value that may simply fail, not to mention diverting its core operational resources away from operational stability to work on an uncertain outcome. Thus, a public firm, no matter how disruptive at the outset, is mostly unable to engage in the practice of disruption once it has become public. The problem is that this doesn't preclude other firms (i.e., startups) from engaging in disruptive innovation and thus emerging as a threat to the formerly VC-backed firm.⁵⁶⁵

From a VC perspective, however, there is only opportunity. The fate of the exited firm no longer concerns VCs except from the perspective of exit. That is, should an exited firm (Corp-A) fail to protect its value proposition and be disrupted out of business (by Startup-B), VCs are unaffected having obtained their returns at the point

⁵⁶⁴ Geoffrey A. Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers* (New York, NY: Harper Business, 2014), 12.

⁵⁶⁵ Another factor is the altered equity relation between employer and employee. While new employees may well be given stock options, the likelihood of obtaining life-changing wealth ("fuck you money" as it is colloquially referred to in the industry) ceases, and with it the impetus to engage in risk-laden disruptive innovation: "established firms do not provide strong incentives for employees to pursue opportunities that are based on radical innovation ... established firms give employees incentives to focus their attention on what they have been doing instead of innovation." Scott Shane, *A General Theory of Entrepreneurship* (Massachusetts, USA: Edward Elgar Publishing, 2003), 226–27.

of exit based upon a projected future wherein Corp-A is *not* disrupted out of business. Alternatively, VCs may have invested in Startup-B and thus reaped the exit value of the latter.⁵⁶⁶ Or, in yet another scenario, VCs may have invested in Startup-B and reaped exit value by selling that firm to Corp-A who, not being able to engage in disruptive innovation themselves, simply absorb the disruptive innovation into their core value proposition.

The VC process then, by virtue of exit as an event and breakpoint, arguably induces a situation akin to moral hazard. That is, VCs only bear responsibility over their investments (i.e. startup firms) up to the point of exit and beyond that all the liabilities fall upon third parties.⁵⁶⁷ There are two dimensions to this that demand attention. First is the moral hazard as it pertains to economic outcomes, second is the moral hazard as it pertains to society, culture, and politics.

Addressing the economic moral hazard first, consider how, in a typical scenario, the exit event will induce the VC to relinquish themselves of all equity holdings, passing the equity—with all its risk—on to other institutional and public investors. How stock performs after this event is entirely irrelevant from the perspective of VC and leaves public markets to bear the risk borne by high exit valuations that are not sustainable in the long run. This is arguably what drives economic bubbles in the

⁵⁶⁶ If really lucky, it may reap exit value from both firms.

⁵⁶⁷ The term “moral hazard” is typically used in the context of insurance, but at root applies to any situation in which the risk pertaining to one party’s actions is, if realized, not weathered by the actor taking the risk, but rather by a third party.

innovation economy and was behind the *fin de siècle* dotcom boom and bust. As VC-Academic William Janeway writes:

“The bubble of 1998-2000 ... could be funded precisely because those who provided the financing needed to have only minimal concern for the fundamental economic value of the ventures. The investment decisions ... were driven by the hope, indeed the expectation, that well before any cash flows would be generated, the shares would be sold to yet more hopeful—or foolish—buyers.”⁵⁶⁸

Consider Figure 2.2 once more. At the point of exit, Moderna was losing hundreds of millions of dollars and yet made its investors a massive return on investment. Just under two years later, having been one of two providers of COVID-19 mRNA vaccine, Moderna posted \$12.2 billion in net profits. This may appear to negate the argument that VCs profit most effectively from exit. However, had the COVID-19 pandemic not occurred, or had Moderna’s clinical trials failed, the firm’s excessive operating losses may have induced eventual bankruptcy and wind-down, diminishing any held value into nothing. In fact, this was precisely what happened to the biotech firm Acelyrin. The latter firm, similar to Moderna, completed a large (\$514 million) IPO while still unprofitable, making money for its investors and, presumably, severing ties with its private investors.⁵⁶⁹ Unlike Moderna, however, Acelyrin’s late-phase clinical trials

⁵⁶⁸ Janeway, *Doing Capitalism*, 90.

⁵⁶⁹ Acelyrin was actually “pre-revenue,” a relatively common situation in the world of Biotech.

failed after the IPO, sending its stock price tumbling from a high of \$28 per share down to an average of just under \$8.

In such scenarios, it might be argued that VC wins while institutional and public investors lose out in a major way. As legendary VC Don Valentine has put it: “when the world badly wants what we have and is willing to pay us twenty or thirty times what we paid for it, our inclination is to let them take it.”⁵⁷⁰ And yet, despite Valentine’s admission, the question of whether VCs are intentionally responsible for producing an economic moral hazard is irrelevant. It is a *structural* feature of the VC process that VCs stand to profit regardless of economic outcomes beyond exit. That is, embedded within the process themselves, VCs are incentivized to maximize their returns at exit, even if this leads to economic disaster in the aftermath. And regardless of outcomes, provided they adhered to the discipline of the process, VCs bear (or wear) no liability for the economic effects they have induced.⁵⁷¹ As Albert Hirschman drily notes in the closing paragraphs of *Exit, Voice, and Loyalty*, “exit is unsettling to those who stay behind as there can be no “talking back” to those who have exited. By exiting one renders his arguments unanswerable.” VCs are absolved of all events beyond exit, thus offering one explanation for why they so often seem to escape critique for events and actions pertaining to post-exit firms.

⁵⁷⁰ Nicholas, *VC*, 228.

⁵⁷¹ Albert O. Hirschman, *Exit, Voice, and Loyalty* (Cambridge, Massachusetts: Harvard University Press, 1970), 126.

Portfolio Thinking and The Vagaries of the Market

“All the great investors I’ve ever studied felt macroeconomics is one of the silliest wastes of time possible” “VC has long been a trailing indicator to the NASDAQ. VC is a cyclical business.”

~Bill Gurley⁵⁷²

While VCs may bear no responsibility for economic events occurring subsequent to the exit event, their business *is* affected by economic market conditions prior to exit. While the decision of *when* to exit is, to an extent, at the discretion of VCs and other controlling shareholders, the form that exit will take (i.e., IPO, M&A, Secondary Sale, Wind-down) often depends on the so-called “vagaries of the market.”

One of the main factors determining VC exit strategies is the “heat” of the IPO market, which is generally considered to be cyclical.⁵⁷³ A “hot market” is characterized by a general increase in the volume and value of IPOs, as well as severe underpricing at the point of exit (i.e., the value of a stock grows immediately after the IPO, suggesting the exiting firm missed out on capital value that has gone to public and institutional investors buying on secondary markets).⁵⁷⁴ Conversely, when facing a bear

⁵⁷² VC Bill Gurley, quoted in Tren Griffin, *A Dozen Lessons for Entrepreneurs* (Columbia University Press, 2017), 144, <https://doi.org/10.7312/grif18482>.

⁵⁷³ Whether VC activity drives the IPO market or responds to it is debatable, though it seems relatively obvious that regardless of any direct influence VC activity has over the volume and size of IPOs, it is not entirely within the industry’s control and also depends on broader economic conditions, such as a bull market and low interest rates. Thus, the IPO market itself may be determined by VC, but only provided certain economic preconditions are met. It is therefore feasible to assume that those economic preconditions may be in place, but no “hot market” for IPOs emerges as a result of VC inaction.

⁵⁷⁴ Snowflake, for example, had its price set at \$120 per share (the price available to institutional investors) for its IPO in September 2020, but due to excessive demand debuted on the NYSE at \$245 per share. Within two months the price had soared to \$387 per share. Similarly, the price for Beyond

market and thus general public illiquidity, VCs have historically tended to reduce their investment activity or (where possible) to redirect funds towards earlier stage firms as a means of pushing the necessity of exit(s) into the future.⁵⁷⁵

While it is a rational and structural feature of the VC process that VCs can and should exit their positions at exit, thus avoiding the market volatility (both upside and downside), when markets are particularly “hot,” as was the case during the COVID-19 pandemic (2020-2021), the temptation can arise to violate the exit principle and to hold on to equity rather than relinquishing it. VCs, coveting the gains to be realized in public equities markets, might begin opening crossover funds or, as was the case with Sequoia Capital, completely upending the closed-ended fund structure characteristic of the VC process. Roelof Botha, a partner at the firm, wrote a blog post explaining:

“Moving forward, our LPs will invest into The Sequoia Capital Fund, an open-ended liquid portfolio made up of public positions in a selection of our enduring companies. The Sequoia Capital Fund will in turn allocate capital to a series of closed-end sub funds for venture investments at every stage from inception to IPO. Proceeds from these venture investments will flow back into The Sequoia Capital Fund in a continuous feedback loop. Investments will no longer have “expiration dates.” Our sole focus will be to grow value for our companies and limited partners over the long run.

This new structure removes all artificial time horizons on how long we can partner with companies. It enables us to participate on their boards and help

Meat was set at \$25 per share for its IPO in May 2019, and debuted at \$46 per share. Two months later the stock peaked at just shy of \$235 per share, an 840 percent price increase.

⁵⁷⁵ Kesten, “The Law and Economics of the Going-Public Decision,” 37.

them realize their potential over the course of decades. Enduring engagement with our legendary companies will be Sequoia’s hallmark.

It also lets us hold public shares long after the IPO and seek the best long-term returns for our limited partners, the majority of which go to nonprofits and endowments.”⁵⁷⁶

Swayed too readily by “the good times” of magic money and cheap capital⁵⁷⁷ leading to astronomical valuations, Sequoia got greedy and decided it wanted to capture public and not just private value. Sequoia’s goal was to bridge the risk and reward differentials offered by public and private markets, using the growth of post-exit “sustaining innovation” firms to reinvest in the growth of new startups and disruptors.

In the case of Robinhood, a fintech brokerage app, this backfired spectacularly. Having invested \$258 million over three rounds beginning in 2018, Sequoia declined to offload the stock once lockout restrictions expired (at which point they could have made a \$240 million *profit*), holding on to them into 2022 when the shares fell by 55 percent, leaving the firm facing an \$83 million *loss* on that one investment.⁵⁷⁸ In the aftermath of an inflation crisis beginning in early 2021, with the Federal Reserve

⁵⁷⁶ Sequoia, “The Sequoia Capital Fund: Patient Capital for Building Enduring Companies,” *Sequoia Capital Publication* (blog), February 15, 2022, <https://medium.com/sequoia-capital/the-sequoia-fund-patient-capital-for-building-enduring-companies-9ed7bcd6c7da>.

⁵⁷⁷ Sebastian Mallaby, “The Age of Magic Money,” *Foreign Affairs* 99, no. 4 (2020): 65–77.

⁵⁷⁸ Sequoia similarly held on to its stake in Snowflake, which during the same period lost 65 percent of its post-IPO peak value. Berber Jin, “Venture Firms’ Strategy of Holding Stocks for Longer Backfires During Market Rout,” *The Wall Street Journal*, January 5, 2023, <https://www.wsj.com/articles/venture-firms-strategy-of-holding-stocks-for-longer-backfires-during-market-rout-11672898888>.

steadily raising interest rates right into 2023, Sequoia's wager has begun to appear incredibly short-sighted. Other VCs, such as Fred Wilson, agreed:

“You look at some of these big funds, and they're holding positions that they should have distributed [to LPs] five years ago that went all the way up and all the way down, and they're still holding on to them ... their limited partners should fire them.”⁵⁷⁹

The question thus arises, are VC firms losing out on value by relinquishing their stake at exit, or are they securing themselves against risk?

To approach this question, we must understand how VC exits are affected by macroeconomic and market conditions, and how VCs (those adhering to the process) hedge against them.

First it must be understood, returning to Figure 2.1, that VC investment is measured against a portfolio of firms associated with a particular fund. From the perspective of VCs (GPs) and LPs, portfolios are the assets, and firms are merely the underlying components of that asset. Some of those components will be productive, others not so. From an LP perspective, the content of the portfolio is entirely irrelevant, all that matters is E' realized as C—M' through the exit process; from a GP perspective, what matters is that portfolio returns exceed the invested (fund) amount to such an extent that a sufficient amount of carried interest is distributed to the VCs involved.⁵⁸⁰

⁵⁷⁹ Anne Sraders, “IPO Market Optimism, down Rounds, and Crypto: The Biggest VC Conversations Last Week,” *Fortune*, September 18, 2023, <https://fortune.com/2023/09/18/ipo-downrounds-crypto-vc-primary-nyc-summit/>.

⁵⁸⁰ Mead, *How to Raise a Venture Capital Fund*, 115.

Thus, the VC process, from the perspective of GPs and LPs, induces what I shall call “portfolio thinking.” Just as LPs are managing a portfolio of different fund investments, GPs are managing both a portfolio of LP investors (10-30 per fund is common) and a portfolio of portfolio firms (startups).

When building and investing in a portfolio of firms, the general principle that VCs adhere to is that the maximum they can lose is 1x their initial investment whereas the maximum they can gain is unlimited.⁵⁸¹ In this regard, abandoning underperforming firms is acceptable if performing firms can exceed the initial amount invested in those underperforming firms—in theory, all they have to do is grow by a value amount exceeding both their own and one or more of the other portfolio firms’ investment amounts.⁵⁸² While a startup venture is the beginning and end of everything for the entrepreneur, for a VC it is essentially one bet among many, and VCs will not think twice about wielding the sword to underperforming firms if the portfolio as a whole can benefit.⁵⁸³

⁵⁸¹ Tamaseb, *Super Founders*, 180–81.

⁵⁸² Consider a highly simplified example. Imagine a fund has invested in 10 companies, giving each \$250,000 at a \$1 million post-valuation (\$750,000 pre-money valuation). If Firm-1 grows to a valuation exceeding \$1.5 million, it has returned both its own investment and that of one other firm in the portfolio. If another firm, Firm-2 say, is underperforming and the VC does not wish to continue provisioning capital, it can abandon that firm knowing that Firm-1 has already covered its stake. If Firm-1 grows spectacularly, as many investments do, and becomes worth, say, \$20 million, then it will have returned all the invested capital (\$2.5 million) along with significant excess. See Feld and Mendelson, *Venture Deals*, 177.

⁵⁸³ “[D]epending on how well the GP is doing converting her other portfolio companies into profit, she might think differently about liquidity with respect to your company. How the fund is doing may also influence your GP’s willingness to invest additional money in your startup or her desire to seek an exit ... But if your company is the long shining star in an otherwise poor portfolio and you receive an acquisition offer that would meaningfully help the GP to get cash back to her LPs (and therefore increase the likelihood of her being able to raise a next fund), she might be more inclined to push you to take that deal.” Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 84.

Therefore, just as there are multiple pathways for an individual firm to exit from the VC process, so too are there multiple *combinations* of pathways for a portfolio of firms to exit from the VC process and to achieve the goals of capital accumulation,⁵⁸⁴ the precise composition of which may depend on broader market conditions. Figure 2.5 shows the composition of successful exits from January 1996 through to December 2023.

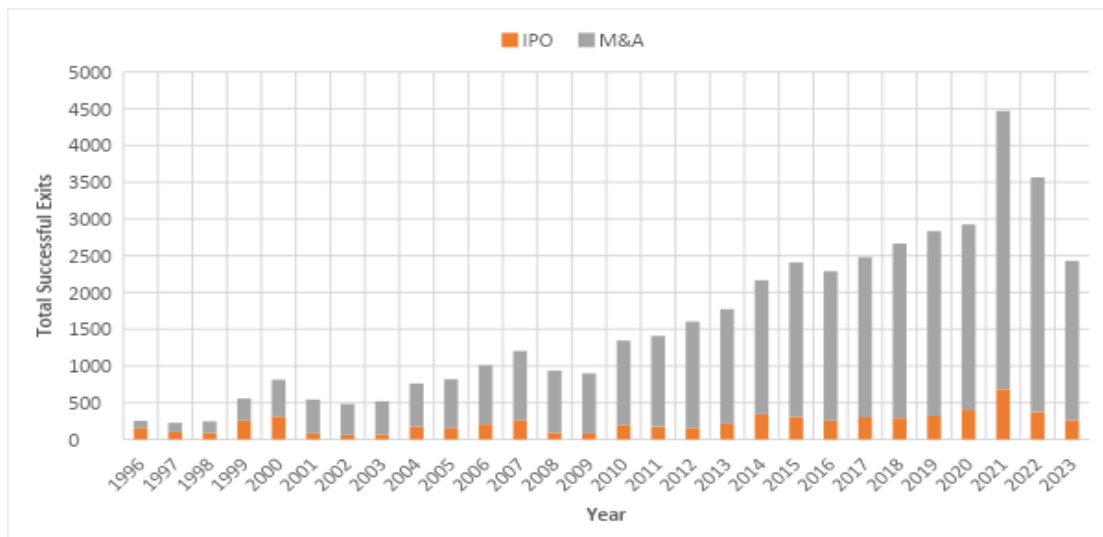


Figure 2.5 – Successful VC-Backed Exits (1996-2023) - Global⁵⁸⁵

⁵⁸⁴ Famous funds such as Benchmark Capital Partners I, often considered the greatest debut fund of all time, was returned by one single investment. According to Pitchbook data, the fund was made up of \$113 million in pooled capital, and yet a single \$5 million equity investment in eBay (plus \$1.7 million in loans) was two years later valued at \$4.2 billion. In total, the fund returned an estimated \$7.2 billion and made its LPs in excess of 92 times their original investment. On the other hand, a16z invested \$250,000 of its Andreessen Horowitz Fund I (total \$300 million) in Instagram, making \$78 million when Instagram was acquired by Facebook for \$1 billion, and yet this amount barely affected the fund as a whole. “Loans to EBay Provide a Big Payoff for Venture-Capital Firm,” *Washington Post*, accessed December 4, 2023, <https://www.washingtonpost.com/archive/business/1999/04/09/loans-to-ebay-provide-a-big-payoff-for-venture-capital-firm/6ce256dc-06c9-4f48-bb4b-8110c20ef913/>; Thiel and Masters, *Zero to One*, 86.

⁵⁸⁵ Source: Pitchbook Data. Accessed December 10, 2023.

As can be seen, up until the dotcom boom and bust culminating in 2000, IPOs occurred in equal or greater measure to M&A exits. After this period, however, M&A exits begin to grow and, aside from a two-year blip around the beginning of the GFC (2008-2009) and again recently during the inflation crisis beginning in 2022, M&A exits have continued to grow spectacularly ever since. In 2021, a peak year, there were 3786 M&A exits to 685 IPOs, the former comprising more than 80 percent of all successful exits.

Several reasons are generally cited for the shift from IPOs to M&A as the main form of VC exit. One factor is the cost associated with going public, not just in terms of legal and filing fees, but also in relation to the regulatory requirements of SOX and other legal provisions. Smaller companies (unless they can go public as an EGC) find these costs especially prohibitive given the cost-benefit ratio related to their economies of scale. A second factor is the ready supply of alternative sources of private financing, including public mutual funds, hedge funds, private equity (PE) growth and buyout funds, and so forth.⁵⁸⁶ In the period of rock-bottom interest rates that began with the GFC in 2008 and only began tapering away in early 2022, investors have been able to borrow money cheaply and to arbitrage interest rates in higher-returning funds and investment vehicles (such as VC).⁵⁸⁷ Whereas IPOs were, in their heyday, a means of raising sums of capital larger than what was available in private markets, companies

⁵⁸⁶ Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 107–9.

⁵⁸⁷ The supply of VC investment is presumed to be influenced by the relative valuation of other asset classes such as stocks and bonds. Stefano Bonini, “The Development of Venture Capital, Macroeconomic, Political, and Legal Determinants,” in *The Oxford Handbook of Venture Capital*, ed. Douglas Cumming (New York, NY: Oxford University Press, 2012), 833.

such as Uber, Lyft, Airbnb, Pinterest have all raised billion in private markets and shown that private investment—which has been readily available in the period since the GFC—can be a more than adequate substitute.⁵⁸⁸

The patterns in Figure 2.5 suggest that a general malaise in macroeconomic conditions do not affect VC exits as much as they affect IPO exits in particular. This is in part because, as we have seen, the VC investment cycle does not operate to the same temporality as public markets. Investments in portfolio firms are expected to last anywhere from four to seven or more years, and funds stay alive for a minimum of ten years. Provided growth is consistently achieved leading to equity valorization, market downturns—even lasting several years—can be ridden out. In fact, a bear market can even be a fortuitous time for VC investment, as valuations are down and equity stakes in startups are cheaper.⁵⁸⁹ In this context, it can be the “good times” in public markets that present the greatest threat for VC investment. In times of optimistic stock market growth, VCs, subject to FOMO, can “overinvest” only to find themselves stuck with

⁵⁸⁸ Difficulties in the IPO market in the first decade of the 2000s led to the entrance of late-stage private equity funds and secondary private markets, which helped encourage firms to stay private for longer. Secondary markets in particular have been enticing in that they create liquidity for company insiders such as founders, early employees and early investors without the downsides of regulatory compliance (including the filing costs these incur). With the added benefit of this trend minimizing both dilution and control costs, the effect has been to expand the contracting time horizon and to discourage an urgent rush to exit by IPO. Hans Landström and Colin Mason, “Introduction,” in *Handbook of Research on Venture Capital: Volume 2 A Globalizing Industry*, ed. Hans Landström and Colin Mason, vol. 2 (Cheltenham, UK: Edward Elgar Publishing, 2012), 12; Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 258.

⁵⁸⁹ Amidst the inflation crisis beginning in 2022, the VC industry even saw a gap emerge with a steadily increasing rate of fund disbursements (i.e. investment in portfolio companies) coupled with the lowest level of exits in almost a decade. CBInsights, “The State of Venture in 5 Charts: Funding and Deals Continue Their Slide in Q1’23 to Pre-Pandemic Levels” (CBInsights, April 12, 2023), <https://www.cbinsights.com/research/report/venture-trends-q1-2023/>.

weak firms who are unable to weather the storm.⁵⁹⁰ In this situation, “[i]nvestors are going to get very strict about the reserve allocations, saving [funds] for the best winners.”⁵⁹¹ Again, valorized equity (E’) matters only at the level of the portfolio, not the individual firm.⁵⁹²

Despite being generally insulated from market twists and turns, VCs have historically preferred IPOs to M&A exits given the greater exit valuations typically associated with the former, but the fact is that while IPOs tend to ebb and flow with market conditions, M&A deals do not. When market confidence is low, investment is low and public valuations drop. In this situation, IPOs become rare. However, it is precisely in this context that M&A deals can become a hedge for VCs. It is at these moments that public corporations looking to entrench their market position seek out

⁵⁹⁰ In the situation whereby VCs are in urgent need of liquidity but market conditions do not allow for profitable exits, for instance when a fund come to the end of its lifetime during a recession, VCs may be forced to exit their investment by secondary sale—other, younger funds eager to suck up growing firms that may IPO profitably when the market recovers. In particularly heated markets, however, buying secondary stakes in growing firms can backfire. Exorbitant valuations for Instacart and Stripe, for instance, both saw VCs overpay in secondary markets only to see a subsequent “down round” wipe out any chance of near-term profits. Stripe remains a private company and therefore may yet grow into the secondary valuation (investors were at one point paying for stakes at a greater than \$95 billion valuation only to see a down round value the company at \$50 billion); Instacart, on the other hand, went public in 2023, foreclosing any possibility of investors recouping their stakes. Secondary shares that were going for \$130 in 2021 would have had to settle for a \$30 per share valuation at IPO. Marina Temkin, “Stripe, Instacart Show Perils of Secondary Investing,” *PitchBook*, September 22, 2023, <https://pitchbook.com/news/articles/vc-secondaries-losses-stripe-instacart>.

⁵⁹¹ Marina Temkin, “More Startup Shutdowns Expected to Follow Crypto Carnage,” *Pitchbook*, January 11, 2023, <https://pitchbook.com/news/articles/startup-shutdowns-failure-VC>.

⁵⁹² Even if a firm is not underperforming, the exigencies of the fund combined with the vagaries of public markets can induce VCs to force founders into selling their company, often even at a discount, or face being starved of capital and wound down into nothing. This is, of course, a false game of chicken, for VCs also stand to lose in the event of a winddown. Nevertheless, to maintain their legitimacy and reputation, VCs will sell the idea of a discounted M&A exit as of benefit to the founders’ self-interest: “I’ve called founders [to say], ‘I think you should sell ... a sale could be attractive to founders because they don’t have to lay off everyone, and investors can get some or all their money back. It’s a soft landing.’” Chris Farmer, partner and CEO at SignalFire, quoted in Marina Temkin, “‘Put up the for-Sale Sign,’ More VCs Tell Founders as Market Sours,” *Pitchbook*, June 29, 2022, <https://pitchbook.com/news/articles/mergers-acquisitions-vc-startups-sale-falling-valuations>.

acquisitions as a means of capturing disruptive value and entrepreneurial talent.⁵⁹³ Thus the true benefit of having a portfolio of investments means that multiple M&A exits, even of modest value, may act as a substitute for one or two spectacular IPOs. Perhaps surprisingly, M&A exit values exceed IPOs in every exit value range below \$5 billion (Table 2.2), suggesting they not only offer a ready alternative to IPOs when public markets are down, but a valuable option in *any* market conditions.

Adding weight to the argument about economic moral hazard, then, the incentive for VCs to pursue M&A exits during market downturns may even prolong those market downturns. While some commentators have argued that a well-developed stock market (by increasing the opportunities for exit by IPO) is critical for the existence of a vibrant VC industry,⁵⁹⁴ the reverse may also be true. Given the percentage of IPOs attributable to VC-backed companies, it also seems reasonable to suggest that a vibrant VC industry is critical to a well-developed stock market, at least with regard to providing for its renewal and expansion (i.e., the introduction of new public firms). Thus, amidst the downturn in IPOs beginning mid-2021, the general sentiment given in VC circles has been that if they could just deliver a couple of

⁵⁹³ In a down market, for instance, even VC-backed firms with significant cash will begin to enter the M&A fray. The lack of an IPO market (given the low confidence of public investors) will have larger, established, firms acting as predators, waiting for startups to run out of investor cash and seeking to find cut-price deals: “For those [tech giants] that haven’t frozen hiring, adding startups *en masse* is an easy way to bulk up engineering teams without the tiresome work of recruiting people one by one. As long as the targets are small enough not to set off antitrust alarm bells, these should be easy meals.” Owen Thomas, “The Tech Superbubble Might Burst,” *Protocol*, May 10, 2022, sec. Source Code, <https://www.protocol.com/newsletters/sourcecode/tech-superbubble-bursts>.

⁵⁹⁴ This is used as an explanation for why US VC remains globally dominant. Black and Gilson, “Venture Capital and the Structure of Capital Markets: Banks versus Stock Markets.”

spectacular IPOs, this would be the catalyst for a complete market turnaround.⁵⁹⁵ The implication is that by pursuing M&A exits as a safer bet, VC may be holding up a general market recovery—perversely, because the value at exit is all that matters, the VC industry is incentivized to deny public value in the pursuit of private gain.

Deal Value Range (US \$)	M&A Count	IPO Count
< \$1m	445	93
\$1-10m	2243	744
\$10-100m	5294	2783
\$100-500m	2798	1261
\$500-1000m	454	118
\$1000-5000m	236	67
\$5000-10000m	3	12
>\$10000m	3	3

Table 2.1 – Exits by Deal Value⁵⁹⁶

⁵⁹⁵ “If we can get a few of those successful IPOs, we might get this whole capital markets thing flowing and moving again.” Brad Svrluga, cofounder and general partner at Primary. Quoted in Sraders, “IPO Market Optimism, down Rounds, and Crypto.”

⁵⁹⁶ Source: Pitchbook Data. Accessed December 22, 2023

III: DISRUPTING THE FUTURE

The Equity-Growth Playbook as an Image of Future Dominance

The argument thus far is that VC returns at exit are based on a valuation given in relation to a firm's future potential. While exit value is attached to equity (E), later realized as a commodity (C) on public markets, it is apparent that this value as an *investment* value is premised on a temporal dimension that extends into the past and future; on growth (G), which by definition denotes temporal *movement* in the value of equity. Financial economist Stewart Myers in a classic, highly cited paper has gone so far as to argue that growth opportunities can be viewed as call options on corporate assets, and that the market value ascribed to a firm at any given point in its lifetime is positively related to its perceived future growth.⁵⁹⁷ This is a particularly critical factor for the pricing of VC exits, wherein the potential of a firm is still untested and—regardless of all the due diligence in the world—future growth projections are derived from an extrapolation of past growth trajectories which have been artificially accentuated by the insulated dynamics of the VC-Entrepreneur relationship internal to the VC process.⁵⁹⁸

⁵⁹⁷ Stewart C. Myers, "Determinants of Corporate Borrowing," *Journal of Financial Economics* 5, no. 2 (November 1, 1977): 147–75, [https://doi.org/10.1016/0304-405X\(77\)90015-0](https://doi.org/10.1016/0304-405X(77)90015-0); Sanjai Bhagat, Jun Lu, and Srinivasan Rangan, "IPO Valuation: The International Evidence," in *The Oxford Handbook of IPOs*, ed. Douglas Cumming and Sofia A. Johan (New York, NY: Oxford University Press, 2018), 109.

⁵⁹⁸ This is the model articulated in Chapter 1, whereby profits, revenue, and even product may be substituted for growth, temporarily suspending the general formula for capital that self-sufficient firms must typically adhere to.

Equity ownership itself entails the purchase and possession of contractually protected property titles valued according to their potential future growth. To purchase equity, therefore, is to buy a contract based on a contracted intertemporal image of past, present, and future value, with added weight given to the future as an implied product of the past.⁵⁹⁹ Just as time contracts in the VC-Entrepreneur relationship (between the signing of a term sheet and exit as event), so too does time contract when a price is placed on the exit value of equity. Exit *as event* brings the future back and the past forward, contracting time to produce an on-the-spot valuation. Time contracted inward from the VC-Entrepreneur relationship (E—G—E') and the commodification of equity (C) through to a speculative image of valorization and sale (M'), drawn together by the use of legal contracts, render exit as event a point of singularity for the entire VC process. The defining temporal feature of the VC process is therefore contracted time, seen from both its internal and external aspects (Figure 2.6).⁶⁰⁰

⁵⁹⁹ "Corporations organized according to the joint stock principle raise money by selling stocks, shares and bonds to money capitalists. The money raised is put to work as capital to produce surplus value (assuming, that is, the venture is intended as something more than 'pure swindle'). Investors hold titles of ownership and receive interest (fixed or varying as the case may be). The titles are simply marketable claims to a share in future surplus value production. Investors can retrieve their money at any time by selling off their stocks, shares and bonds to other investors ... But all of these markets have one thing in common. Property titles are 'paper duplicates', which in themselves have no value even though they circulate at a price ... The price of property titles is generally fixed by the present and anticipated future revenues to which ownership entitles the holder, capitalized at the going rate of interest." David Harvey, *The Limits to Capital* (UK: Verso Books, 1999), 276.

⁶⁰⁰ I am here, of course, using the term "contracted" in an overdetermined manner to express both legal contractual arrangements and speculations of value based on intertemporal contraction of probability and potentiality.

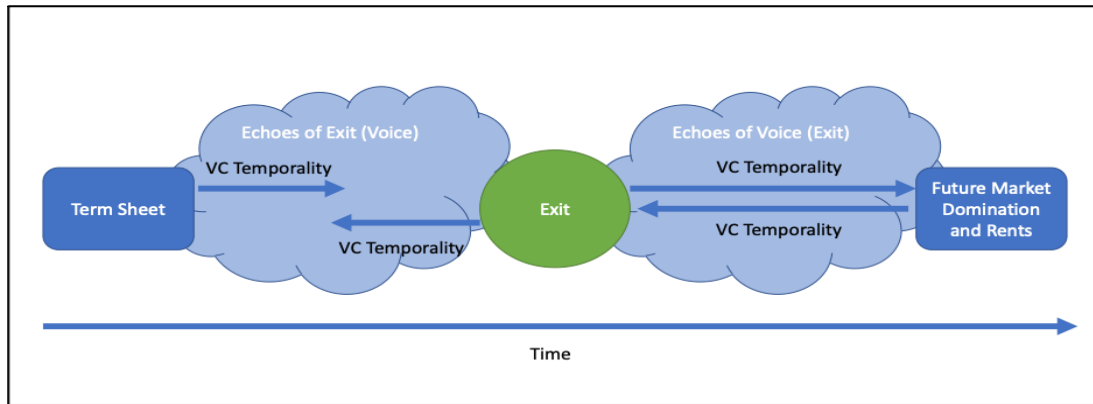


Figure 2.6 – Contracted Time (Full Version) (Source: Author)

Underlying the entire edifice is the relationship between equity and growth: $E \rightarrow G$, which implies $G \rightarrow E'$. Consider, in the VC-Entrepreneur relationship we saw that growth is the means by which the continued valorization of equity occurs at each subsequent valuation and funding round. Thus, growth in most cases⁶⁰¹ implies the valorization of equity and the increased likelihood of favorable exit. Not only, though, does growth (G) imply a valorization of equity (E'), but the valorization of equity (E' , i.e., additional capital) implies future growth (G). This *implied* future is how a VC-backed venture moves towards exit, and it is also the basis of an exit valuation. In an M&A exit scenario, a purchasing firm absorbs the equity (i.e., ownership) of the acquired firm in order to valorize its own equity or valuation by virtue of the implied

⁶⁰¹ Down rounds are a possibility and may depend less on growth and more on macroeconomic conditions and the availability of capital. This has been the case for the recent down rounds experienced by, say, Stripe. However, the true question is whether Stripe (or any other company) was really worth the exorbitant valuation given in its previous valuation (Stripe was marked down from \$95 billion to \$50 billion). If anything, this demonstrates that growth (G) and equity (E as a function of G) are not objective measures of value but depend on subjective value judgments. Exploring these subjective elements will be the goal in Parts II and III of this dissertation.

growth that the acquisition will achieve. Put differently, the act of aggregating an acquired and acquiring company's equity is the equivalent of *growing* an underlying equity base ($E_{\text{acquirer}} + E_{\text{ent}}$, see Figure 2.4). Alternatively, in an IPO scenario (Figure 2.3), an exiting firm's equity (E') is valued and made available for sale (C/M) on the basis of implied continued growth (G) as a product of the capital obtained from the IPO (M') combined with the past trajectory of the firm. This growth will induce future increased value (E') and thus the cycle may continue indefinitely (or so is implied).⁶⁰² In either case, the recognized fact must be that despite the singularity of exit and the severance in that moment of the relationship between VC and the exiting firm, there is a pattern of accumulation structurally imprinted⁶⁰³ upon the latter that almost invariably continues long after exit has occurred.⁶⁰⁴

⁶⁰² "An asset has a particular temporal structure: it requires an upfront investment of (often borrowed) funds and it is meant to generate returns over a particular future timeframe." For example, Netflix, considered by Wall Street investors to be a "growth stock" saw its shares tumble in value when growth began to slow (not reverse or cease, but *slow*) in early 2023. In response, Netflix has since begun to clamp down on account sharing and has raised its prices, thus suggesting the era of being a growth stock may be over. Netflix may now be looking for self-sufficiency and concrete revenue leading to profit realization. Lisa Adkins, Melinda Cooper, and Martijn Konings, *The Asset Economy* (Cambridge, UK: Polity Press, 2020); Lucas Shaw, "Netflix's Shares Tumble as Much as 12% as It Struggles to Attract New Subscribers and Stokes Concerns That Its Big Growth Days Are Over," *Fortune*, April 18, 2023, <https://fortune.com/2023/04/18/netflix-shares-tumble-earnings-q1-2023/>.

⁶⁰³ I am indebted to Franziska Cooiman for the notion of "imprinting" in the context of VC. Franziska Cooiman, "Imprinting the Economy: The Structural Power of Venture Capital," *Environment and Planning A: Economy and Space*, November 16, 2022, 0308518X221136559, <https://doi.org/10.1177/0308518X221136559>.

⁶⁰⁴ The continued focus on growth (G) long after a firm's exit is not only programmed in by the VC process that set it in motion but is also encouraged in the public domain as part of the hegemonic capitalist obsession with economic growth. While economic growth seems a somewhat obvious goal for any society in the twenty-first century, this was not always the case. As Benoît Godin has shown, economic growth supplanted full employment as the principal goal of public economics (in the West, at least) after World War II. Seen from a historical perspective, it is arguably a novel phenomenon. See Benoît Godin, *The Idea of Technological Innovation* (Cheltenham, UK: Edward Elgar Publishing, 2020), 1.

E—G, as an underlying principle of the VC process, is thus a crucial part of any business model pitched by entrepreneurs to VCs or developed as a result of the VC-Entrepreneur relationship. As businesses are literally modeled on this principle, it is also a feature expected of VC-backed firms entering the public domain.⁶⁰⁵ It is therefore the basis and principle of any business that buys or sells equity as part of a strategic plan. The business model, a relatively recent emergence in the history of corporate finance and business management, is about demonstrating to potential investors how a particular set of corporate assets (e.g. technology, employees) might promote future growth and (eventually) cash flows (i.e., capital). It is a speculation model—a work of speculative fiction—and thus represents an “invitation for faulty thinking and self-delusion.”⁶⁰⁶ Typically, for VC-backed firms, it will present an image of growth based factors such as market size, distribution channels, gross margins, and network effects—that is, on how many customers might be served, how they will be served, how much cash can eventually be made from them, and how they can be locked in as part of a recurring revenue base.⁶⁰⁷ The business model, in short, works on the future—it is a

⁶⁰⁵ To take a company public, a firm must complete and submit an S-1 registration to the SEC. This document must include a description of the business, including its business model, and as its purpose is to ensure the protection of potential investors, must also include statements pertaining to a business’s future growth prospects. See <https://www.sec.gov/files/forms-1.pdf>. In the case of an M&A purchase, an acquiring firm will have to convince its board and shareholders that the acquisition will aid the firm’s future growth, either directly (by accentuating operations) or indirectly (by negating a threat to operations).

⁶⁰⁶ The business model is a new invention that emerged in the 1970s and came into accelerated usage in the 1990s with the rise of the digital economy. See Doganova and Muniesa, “Capitalization Devices: Business Models and the Renewal of Markets.”

⁶⁰⁷ Hoffman and Yeh, *Blitzscaling*, 53.

performative act used to attract capital as a means of valorizing equity and inducing the growth it promises. It is as such, when successful, a self-fulfilling prophecy.

And this is not all. While growth (G) is the source of exchange-value represented by equity (E), by legitimizing an innovative business idea or product it also becomes a source of the *perceived* use-value provided by a firm's products and services. Facilitating a herd-like mentality, growth—a means that is an end in itself—induces its own legitimacy in terms of perceived utility.⁶⁰⁸ Growth thus acts as a self-propelling, and self-legitimizing, force. As Everett Rogers notes, both “relative advantage [and compatibility] of an innovation, as perceived by members of a social system, is positively related to its rate of adoption.”⁶⁰⁹ Or, put in VC terms, “valuations of companies are driven by the size and ‘trendiness’ of the market proposed.”⁶¹⁰ Thus, not only is equity valorization by means of investment a self-fulfilling prophecy of growth, but growth is a self-fulfilling prophecy of equity valorization by means of investment. The two are dialectically entangled in a movement that falls apart if one component or the other ceases to be realized. This is why exit, as a mere image of potentiality, is so powerful for the VC investor. It harvests value by breaking free of the E—G cycle and its continued need of precarious repeat,⁶¹¹ and in doing so it

⁶⁰⁸ This phenomenon is understood in the business literature on innovation industries to be of particular utility in attracting so-called “pragmatist buyers” who look to the crowd for confirmation of quality. Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 190.

⁶⁰⁹ Everett M. Rogers, *Diffusion of Innovations*, Fifth (New York, NY: Free Press, 2003), 233, 249.

⁶¹⁰ Feld and Mendelson, *Venture Deals*, 53.

⁶¹¹ A repetition rendered significantly less risky by the artificial propping of growth cycles by means of VC investment. While public investment may also prop growth cycles in this way, public investors are not investing based on a fixed and limited temporal frame—they do not have the same short-term exit plan based on capital provision over a finite funding cycle.

essentially optimizes the potentiality of risk and reward by relinquishing the former and reaping the latter.

As should be intuitively evident, basing one's assessment of quality on the herd is not always a promising strategy. VC investors, for example, flocked into the so-called “fintech”⁶¹² boom, ramping up valuations during the COVID-19 pandemic while many people (or at least those who remained employed) had excess savings to play around with and had become interested in gamified investment platforms. The fintech market segment included services ranging from digital wallets to challenger banks to e-money services and were attractive to consumers because backed by VC money they were able to offer services with no fees and higher rebates and interest rates. Mimicking the “growth hacking” strategies of companies like PayPal—who initially gave every user that signed up \$10, leading to immense capital drain at the same time as immense user growth—these firms were all premised on continuing favorable macroeconomic conditions (i.e., low interest rates), burning capital in exchange for capturing market share and thus growing their valuations. The main source of revenue in the interim came from capped fees known as interchange fees, the commissions paid to intermediaries whenever a consumer purchases something. While these fees are capped, however, interest rates are not, and when interest rates began rising in 2022 many fintech firms suddenly discovered their capped revenue (much of which was being reinvested) could not keep up with macroeconomic conditions—conditions that

⁶¹² An abbreviation for the catch-all “financial technology”

included lower VC valuations and thus less equity-based financing.⁶¹³ VCs who held on for too long amidst these changing conditions would be forced to take a financial hit—likely forcing the more mature fintech startups in their portfolios to take M&A deals—while those smart enough to have exited early would be watching on with schadenfreude while counting their winnings and looking for the next big swindle.⁶¹⁴

We might argue, then, that the whole edifice of E—G is built upon a profitable delusion. By basing a firm’s valuation on its future potential, investors are acting on accumulation that is presumed to occur in the future.⁶¹⁵ Whether that future potential is realized, however, is entirely irrelevant to investors who can, if they get their timing right, happily profit in the present.⁶¹⁶ But if that is the case then the extraordinary valuations given to exiting firms practicing disruptive innovation, especially in comparison to massive already-established firms, must be based on an expectation of extraordinary future accumulation; if not actual monopoly, then something closely

⁶¹³ Michael Sindicich, “Fintech Faces Its Reckoning: It’s Only a Matter of Time until the House of Cards Collapses,” *TechCrunch*, September 9, 2023, <https://techcrunch.com/2023/09/09/are-fintech-business-models-sustainable/>.

⁶¹⁴ As Peter Thiel and the rest of the “PayPal Mafia” have readily confessed, much of their post-PayPal success was predicated on exiting (i.e., selling PayPal) prior to the dotcom crash taking its full effects. Unlike recent fintech firms, they timed their exit perfectly—whether they did this by luck or skill is debatable.

⁶¹⁵ This temporal displacement of value by VC-backed firms arguably began in the late-1990s with Yahoo, whose value was based not upon actual or even near-term revenue, but on potential future growth premised on current growth as measure by “momentum, traction, audience, or brand”—all of which it was presumed could be monetized in future. Sebastian Mallaby, *The Power Law: Venture Capital and the Making of the New Future* (New York, USA: Penguin Press, 2022), 152–53.

⁶¹⁶ As Lina Khan wrote of Amazon in 2017, “Although Amazon has clocked staggering growth—reporting double-digit increases in net sales yearly—it reports meager profits, choosing to invest aggressively instead. The company listed consistent losses for the first seven years it was in business, with debts of \$2 billion. While it exits the red more regularly now, negative returns are still common. The company reported losses in two of the last five years, for example, and its highest yearly net income was still less than 1% of its net sales. Despite the company’s history of thin returns, investors have zealously backed it: Amazon’s shares trade at over 900 times diluted earnings, making it the most expensive stock in the Standard & Poor’s 500.” ”Khan, “Amazon’s Antitrust Paradox,” 713.

approximating it. And it is the image of future monopoly that is, perhaps, the most profitable of all delusions. For example, consider the case of Rivian, an electric vehicle (EV) manufacturer specializing in trucks. In 2021, it completed the largest global IPO in almost seven years with an exit valuation of \$105 billion.⁶¹⁷ The wager by investors is that Rivian will emulate the success of Tesla, which at the time of Rivian's IPO had a market capitalization 658 times that of its own at-IPO price. However, there are distinct differences: Rivian raised over \$10 billion in VC funding and stayed private for 12 years; Tesla raised "only" \$500 million in VC funding, never hit unicorn status (i.e., a \$1 billion private valuation), had delivered more vehicles at the time of its IPO, and stayed private for 7 years. For Rivian to emulate Tesla's post-IPO success, its value would need to rise to \$69 trillion—a figure that seems highly improbable regardless of market conditions. The point, however, is that not only did private investors (i.e., VCs) capture excessive value from equity growth while the firm was still private, but based on its image of a future unrealistic valuation, VC investors have been able to exit and liquidate their equity based on an implied valuation that can likely never be met. That is, it doesn't matter whether Rivian is ever valued at \$69 trillion or not—VC made an immense profit and was able to walk away before reality set in.⁶¹⁸ As a point of fact,

⁶¹⁷ The largest IPO prior to that was Alibaba in 2014. Note that Rivian's IPO gave it an effective valuation exceeding even that of Ford, whose F-Series truck has been the best-selling vehicle in the US for almost 40 years.

⁶¹⁸ As *Axios*, a newsletter for private equity investors notes: "Staying private longer has always resulted in a small number of private market investors getting to capture more potential upside; the antithesis of securities democratization. And that opportunity gap is being widened by the exploding sizes of growth equity rounds at nosebleed prices." Dan Primark, "Axios Pro Rata: Rivian's ROI Ructions," *Axios*, November 12, 2021, <https://www.axios.com/newsletters/axios-pro-rata/>.

Rivian debuted at \$106 per share, soared to \$129 per share within a week, and then nosedived. Its average price throughout 2023 has fallen to below \$20 per share.

Nevertheless, it is the promise of monopoly rents that offers VC investments the best possible image of value at the point of exit. Monopoly rents, after all, do not only suggest high volumes and high margins, but their continued existence long into the future by virtue of a lack of competition. One way of distinguishing the situation pertaining to valuations based on *future* rather than actualized monopolies is by considering Brett Christophers' definition of rent: "income derived from the ownership, possession or control of scarce assets under conditions of limited or no competition."⁶¹⁹ As we now know, income, at least in the form of profit, is not a requirement for VC-backed firms. Thus, valuation is based on future income as rents, and in theory, on the possibility of monopoly pricing. The latter, Khan notes, will incur antitrust scrutiny and possibly government intervention, not to mention consumer backlash—however, it is precisely on the basis of their future achievement that profits are made on equity holdings in the present.⁶²⁰ This is why the VC value proposition is a profitable delusion, and one best mitigated by the use of exit.

That the VC value proposition lies in the promise of building or supporting future monopoly positions is evidenced by the fact that a VC firm will not invest in two firms pursuing the same market. That is, the VC value proposition is based on a

⁶¹⁹ Brett Christophers, *Rentier Capitalism: Who Owns the Economy, and Who Pays for It?* (London, UK: Verso, 2020), xxiv.

⁶²⁰ Khan, "Amazon's Antitrust Paradox," 748.

principle of differentiated universality.⁶²¹ All VC investments are presumed to be in winner-takes-all markets, even when the goal is exit by M&A.⁶²² Thus it is not simply growth that VCs delight in, but *untrammelled* growth in a particular market segment or space. Chamath Palihapitiya, a VC and Facebook’s former head of growth, describes this as the principle of n of 1 versus 1 of n —find businesses, he says, that will become “foundational layers in society that can develop something discontinuous. When you put those things together, that allows a company to separate themselves from the pack, and eventually, everything falls away, and they’re an n -of-1 company.”⁶²³ Or as Geoffrey Moore puts it in his influential and bestselling guide to marketing disruptive products: “Our long-term goal is to enter and *take control* of a mainstream market ... that is currently dominated by an entrenched competitor” (emphasis added).⁶²⁴

Returning to the theme of portfolio thinking, then, the diversification given by the VC portfolio is not quite the same as diversification typically associated with “modern portfolio theory.”⁶²⁵ Instead of diversifying *within* a market, to ensure poorly

⁶²¹ As we saw in footnote 101, a16z failed to make much off of Instagram’s \$1 billion acquisition by Facebook. The reason for this was that Instagram pivoted after its initial investment in Instagram, thus putting it into direct competition with another one of a16z’s portfolio companies that it believed had a better chance of achieving monopoly. Ironically, Ben Horowitz, a co-founder at a16z, once failed to receive VC backing from Kleiner Perkins when he was CEO of LoudCloud for precisely the same reason—they had already funded a competitor. See Horowitz, *The Hard Things About Hard Things*, 17.

⁶²² The only difference with a firm presumed to exit by M&A is that the market segment it dominates is either not large enough to sustain a self-contained public enterprise, or may be integrated into another market segment to expand the dominance and market scope of an acquirer.

⁶²³ Quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 244.

⁶²⁴ By invoking the term “taking control” Moore is inadvertently revealing the goal of obtaining monopoly rents within that market segment, as per Christophers’ definition of monopoly rents. Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 78.

⁶²⁵ Markowitz’s seminal contribution proposes a model of diversification *within* markets to account for the volatility of competition between firms. It does not proceed on the presumption of monopoly.

performing firms are hedged against their competitors, in a VC portfolio the diversification occurs *across* markets. The reason for this is that VC investments are considered winner-takes-all bets, they cannot therefore diversify within a market, for to do so would be to compete against themselves. Any value won by Portfolio-Firm-A winning the market would be lost by Portfolio-Firms-B, C, and D winning it.

As Khan has shown in attempting to address concerns around monopolization and antitrust violations, the US Supreme Court has tended to focus on short-term consumer outcomes (i.e., favorable consumer pricing), whereas investors have focused on proportion of captured market share (what Khan more pointedly refers to as “market power”) along with trajectory of growth as it pertains to that market share.⁶²⁶ As should by now be clear, the consequence of a business model designed according to the growth before profits model is that it permits lower or non-existent margins on a business’s operations without inhibiting business growth. This allows valuations to continue to grow and maintains investor interest while allowing a firm to build a monopoly in plain sight of the law. It is as a result of this market power that “big tech” companies—traditionally lacking in pricing power due to the nature of competition backed by VC money—have, sure in their dominance, either begun to raise prices (e.g., Slack, Netflix)

Harry M. Markowitz, “Foundations of Portfolio Theory,” *The Journal of Finance* 46, no. 2 (1991): 469–77, <https://doi.org/10.2307/2328831>.

⁶²⁶ “Due to a change in legal thinking and practice in the 1970s and 1980s, antitrust law now assesses competition largely with an eye to the short-term interests of consumers, not producers or the health of the market as a whole; antitrust doctrine views low consumer prices, alone, to be evidence of sound competition.” Khan, “Amazon’s Antitrust Paradox,” 716.

for the first time in their history, or have begun to phase out free services in a bid to maximize returns for investors and shareholders (e.g., Salesforce, Google).⁶²⁷

To achieve a high valuation, the prospect of monopoly or market dominance must be presented as a possible image of the future, and yet it is precisely the magnitude of valuation that makes this prospect possible—the higher the valuation, the higher the capital injection of exit (for firms exiting by IPO), or the higher the valorization of existing equity (for firms acquiring a VC-backed company). Yet, as we have seen, actualization of the reality underlying this valuation does not matter. In the singularity of exit, speculation is everything.⁶²⁸ It is the presence of exit as a breakpoint between public and private valuations that makes this possible. And as we saw above, holding on to equity beyond the exit event unravels the singularity of exit into which an intertemporal horizon of value is contracted, thus exposing that investment to intertemporal uncertainty and risk. Consequently, investors who held on to post-exit equity in 2022 amidst a large selloff of public equity—especially technology stocks, which VCs are more likely to have an association with—saw massive losses as an

⁶²⁷ “Heroku’s Next Chapter,” August 25, 2022, <https://blog.heroku.com/next-chapter>; “Google Workspace Will NOT Be Free Anymore; Here Are Top 5 Alternatives,” HT Tech, June 25, 2022, <https://tech.hindustantimes.com/tech/news/google-workspace-will-not-be-free-anymore-here-are-top-5-alternatives-71656126756309.html>; Slack, “Everything You Need to Know about Our First Price Change and New Plans,” Slack, accessed December 19, 2023, <https://slack.com/blog/news/pricing-and-plan-updates>; “Netflix Quarterly Shareholder Report (Q3, 2023),” October 18, 2023, https://s22.q4cdn.com/959853165/files/doc_financials/2023/q3/FINAL-Q3-23-Shareholder-Letter.pdf.

⁶²⁸ As Cambridge Scholar William Bains put it, the goal of VC is to not to create companies that might become “world-striding commercial operations”—that, when it occurs, is a mere byproduct—the goal is invest, grow a company until it is of a substantial but still loss-making size, and sell it to others “with longer time horizons and less extreme expectations of ROI [return on investment].” William Bains, *Venture Capital and the European Biotechnology Industry* (Cheltenham, UK: Palgrave Macmillan, 2009), 118.

attempt to outsmart the temporal advantages of the VC system and contracted time.⁶²⁹ Consider, as a final example, the divergent fortunes of Khosla Ventures and Spark Capital, both of whom were early investors in a startup called Affirm Holdings that went public in early 2021. Whereas Spark Capital, who had a smaller IPO stake, offloaded its equity after the lockout restrictions expired, returning over \$1 billion to its LPs, Khosla Ventures decided to hold on to more than four fifths of its stake, losing somewhere around \$600 million by the end of 2022.⁶³⁰ As Khosla Ventures and many others have discovered: while the VC process *may* be violated, it is also quite often correct.

Disrupting Society, Culture, and Politics

“[Big tech’s] cultural influence surpasses government, academic institutions, and even Hollywood. Having taken over our lifestyles, they are vying for our health care, infrastructure, energy, space travel, education, and postal systems. And they are applying the tools that won them success—platforms, AI, big data, and consumer-centric on-demand models—to disrupt them.”⁶³¹

~Lucie Greene, *Silicon States*, p.6

Up until now, we have been speaking about the external effects of the exit process in mostly economic terms. It is my goal now to begin showing how the disruption

⁶²⁹ To give an example, Altos Ventures held a \$7.5 billion stake in Roblox at the time of IPO and decided to return only a small percentage of this equity to LPs. The public equities it held on too swelled to over \$11 billion in late 2021 before falling by more than 60 percent in 2022. It lost over \$5 billion. Jin, “Venture Firms’ Strategy of Holding Stocks for Longer Backfires During Market Rout.”

⁶³⁰ Jin.

⁶³¹ Lucie Greene, *Silicon States: The Power and Politics of Big Tech and What It Means for Our Future* (Berkeley, CA: Counterpoint, 2018), 6.

paradigm at the heart of entrepreneurial innovation is about much more than this, an argument I will continue to develop in the coming chapters.

Economic change wrought by VC is, I want to claim, at least in part an effect rather than cause of social, cultural, and political change. VC and VC-backed entrepreneurship does not so much respond to changes in the fabric of society as it induces them in order to extract economic benefits.

To understand how this works we need to understand the meaning of “disruption” in the context of VC-backed innovation. Disruptive innovation, from an investor standpoint at least, is about pulling the future forward into the present. It is about bringing what people will want *tomorrow* into the present for the purpose of profit. Put in the context of the argument so far, the function of exit realized *as event*—a singularity into which time contracts—is to pull this speculative future back into the present.

For some VCs this is entirely how they present their value proposition. The sales pitch for Anzu Partners, for instance, is to “bring capital and capability to technologies that pull the future forward”—which in the context of VC actually means using capital to pull future *value* forward.⁶³² In concrete terms, consider the following investor “analyst note” issued by Pitchbook:

“[M]any technologies poised to solve tomorrow’s problems are sitting quietly on the sidelines waiting to grow and scale. These include electric vehicles,

⁶³² Savanna Maloney, “Member Spotlight: Anzu Partners - National Venture Capital Association - NVCA,” February 21, 2023, <https://nvca.org/member-spotlight-anzu-partners/>.

which currently represent less than 5% of cars on the road. As this increases to 50%, it will generate exponential growth opportunities ... Similarly, virtual reality headset adoption is also minimal. What will be the knock-on effects as today's younger generations spend more time in Metaverse environments? Growth opportunities also abound in healthcare, a vastly complex and unwieldy ecosystem that will be further contorted by value-based care initiatives, digital and home-care services, mRNA biotechnology, and remote therapeutics. And while the crypto ecosystem remains battered by blows from the FTX implosion, the promise of supplanting megacentralized Web 2.0 platforms with autonomous decentralized goods and services provides a compelling narrative. Other technologies of the next decade will include carbon removal systems, cultivated proteins, generative AI, and gene editing, each of which offers a unique set of moonshot bets that will help shape the world of tomorrow.”⁶³³

In every example given, there is an intertemporal consideration of potential future value presented in terms of future social norms. That is, the investment opportunity is articulated as having little to nothing to do with present value and is rather based on a wager relating to the necessary minimums required for social life in the future (at least in terms of technological capability).⁶³⁴

⁶³³ Paul Condra, “Emerging Tech Research: The Postdigital Era” (PitchBook, December 22, 2022), https://files.pitchbook.com/website/files/pdf/Q4_2022_PitchBook_Analyst_Note_The_Postdigital_Era.pdf.

⁶³⁴ “[T]he production of *relative surplus value*, i.e. production of surplus value based on the increase and development of the productive forces, requires the production of new consumption; requires that the consuming circle within circulation expands as did the productive circle previously ... The value of the old industry is preserved by the creation of the fund for a new one in which the relation of capital and labour posits itself in a *new* form. Hence exploration of all of nature in order to discover new, useful qualities in things; universal exchange of the products of all alien climates and lands; new (artificial) preparation of natural objects, by which they are given new use values ... The exploration of the earth in all directions, to discover new things of use as well as new useful qualities of the old; such as new qualities of them as raw materials ... likewise the discovery, creation and satisfaction of new needs arising from society itself; the cultivation of all the qualities of the social human being ...

Thus conceived, the basis of economic (i.e., exchange) change is rooted in social (i.e. use) change, and the meaning of innovation pertains to changes in practice extending well beyond the economic sphere, an understanding that accords closely with the notion of disruptive innovation.

But what makes disruptive innovation distinctive in its content, as opposed to its temporal form? Clayton Christensen, in his well-read classic guide to innovation, *The Innovator's Dilemma*, offers an answer. He claims that what makes disruptive innovation distinctive is its will to alter underlying social *value* demands as opposed to iterating upon existing value demands through technological change. Christensen's argument is that the disruptive innovation practiced by "entrant firms" (e.g., VC-backed startups) occurs not simply when one technology is replaced by another, no matter how radical the technological change may appear to be, but rather when the underlying *value* proposition is renewed. That is, disruptive innovation pertains to social as much as technological innovation and has broader cultural implications—it changes practices, and with them, ideas. Technology may be the driver—and there is substantial evidence to suggest that VC, measured by patent counts, has significant impact on technological innovation—but an innovation is not to be considered "disruptive" unless it also invokes social and cultural change.⁶³⁵ It is instead simply a

the development of a constantly expanding and more comprehensive system of different kinds of labour, different kinds of production, to which a constantly expanding and constantly enriched system of needs corresponds." Karl Marx, *Grundrisse: Foundations of the Critique of Political Economy*, trans. Martin Nicolaus (London, UK: Penguin Books, 1973), 409.

⁶³⁵ The impact of VC on innovation is particularly significant in comparison to corporate (i.e., established firm) R&D. Nevertheless, there is little evidence on *how* VC affects innovation. Roberta Dessi and Nina Yin, "The Impact of Venture Capital on Innovation," in *The Oxford Handbook of Venture Capital*, ed. Douglas Cumming (New York, NY: Oxford University Press, 2012), 668.

mode of sustaining innovation that Christensen dubs “radical innovation.”⁶³⁶ Disruptive innovation often manifests as the appearance of a new market (i.e., a complex of novel supply and demand) which, for the most aggressive entrepreneur, represents an untapped social logic that may be pursued and even dominated for a time without the nuisance of competition (i.e., it may be more easily monopolized). As Geoffrey Moore puts it, “markets represent more than just a buyer and a seller. They are an ecology of interrelated interests interoperating to create what business schools call value chains.”⁶³⁷

Understanding markets as ecologies of interests and values extends the meaning of disruption from its purely economic function into cultural and even political spheres of social action. And while we have not as yet addressed the underlying *substance* of value in this scenario (i.e., the meaning of E or G in the general formula for VC), it seems apparent that the entire VC opportunity depends on disrupting value chains to create the appearance of new markets that may be dominated at the time of exit. It seems entirely possible and even likely, furthermore, that value has a basis in social values that are cultural and potentially even political. That is, to values that are both historically contingent and at the same time responsible for the organization (i.e., limits and possibilities) of social action.⁶³⁸

⁶³⁶ Radical innovation, no matter how much of a technological leap or change, does not alter the underlying value proposition, it simply finds a new form of supply for the same value demand. See Christensen, *The Innovator's Dilemma*, 30.

⁶³⁷ Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 159–60.

⁶³⁸ The sphere of politics, just like society and culture, remains susceptible to the new world of disruptive innovation. The structural power of an innovation economy facilitated into being by VC should alone be enough to invoke political concern. But add to that the ubiquity and necessity of

This in itself may not be problematic, regardless of the social scope of its effects. The problem is that while disruptive innovation in terms of general social goods is not bad in itself, the will to monopolization underlying VC-backed disruptive innovation implies, first, proprietary (i.e. private) instigators of these changes and, second, massive growth leading to monopoly or near monopoly. The result is disruptive change that, to realize the economic benefits that follow, must lock the changes it has wrought in place. Thus, disruptive innovation—the alteration of social, cultural, and political values—is subsumed into the status quo; the will to change becomes the will to stasis.

What must be underscored is that the will to monopolization underpinning VC is hard coded into the process from the outset. In fact, the VC process *simulates* monopoly profits from the very moment a term sheet is signed by negating any concern with realization (i.e. profit margins) in the present. VC-backed firms are, as such, able to act like monopolists from the get-go. One way to think about this is to characterize the VC process as the externalization of liquidity (both before, during, and even *after* exit). This situation begins during the internal sequence of the VC process (i.e., during

contemporary innovations in everyday life, not to mention the power that wealth bestows in financing political candidates, and the politics of the situation becomes literal rather than figurative. For instance, while the NVCA has been lobbying against regulations impeding entrepreneurial finance, VC's greatest products—Alphabet (Google), Amazon, and Apple—have spent tens of millions of dollars lobbying for more favorable regulations or donating to the campaigns of tech-friendly political candidates. For VC, however, this is all largely irrelevant theater. Regulations on former graduating companies, provided they do not impact exits (as CALERA would, for example), do not affect how VCs make money. Big tech firms, a cornerstone of the establishment engaged in practices of sustaining innovation, are regulated not on the basis of disruption, but of corporate power. Thus, while big tech becomes the source of ire for regulators and public actors, the VC industry, as a consequence of the exit breakpoint, is able to operate relatively free from scrutiny. Greene, *Silicon States: The Power and Politics of Big Tech and What It Means for Our Future*, 50, 100.

the VC-Entrepreneur relationship, when private investors are the source of capital) and continues into the external sequence of either combining with another firm (i.e., M&A, thus making an acquired firm dependent on the acquiring firm for its capital needs) or floating on a public exchange (i.e., IPO, wherein institutional and public investors become the source of capital). In each scenario what we might call near-term “endogenous” liquidity ceases to be of primary concern. Throughout the process, endogenous liquidity has been substituted for exogenous liquidity. That is, the firm need not be liquid—i.e., self-dependent on profits that may be reinvested as capital—as external investors provide that liquidity for them. In terms of liquidity, all that exit does is shift the responsibility of liquidity from private to public investors, or from private investors to a parent corporation. Thus, the behavioral patterns of post-exit firms need only diverge from the behavioral patterns of pre-exit firms in terms of the temporal horizon incentivizing its new owners—that is, instead of marching to the disciplinary orders of exit and contracting time, they must now answer to the cyclical beat of quarterly shareholder reporting.⁶³⁹ VC really does, therefore, “imprint” certain structural characteristics upon the capitalist system as a whole.⁶⁴⁰

To understand the implications of this, consider the words of VC Peter Thiel, who remarks with characteristically brazen wit that:

⁶³⁹ The only exception would be if a VC-backed firm was acquired by another VC-backed or otherwise private firm. In neither case, however, is long term value a concern for shareholders, only its continued semblance in the present measured by growth (G) and represented by the value of equity (E).

⁶⁴⁰ Cooiman, “Imprinting the Economy.”

“Monopolists can afford to think about things other than making money; non-monopolists can’t. In perfect competition, a business is so focused on today’s margins that it can’t possibly plan for a long-term future. Only one thing can allow a business to transcend the daily brute struggle for survival: monopoly profits.”⁶⁴¹

What is most interesting about Thiel’s statement is the connection between survival and monopoly profits. What he implies is that monopolists can consider aspects of their business other than the bottom line. That is, utility—how a firm wants to change the world—comes back into play as a consideration. More than mere economic power, then, the VC process brings into being, in an irresponsibly disinterested manner, actors and agents with the power to influence the future of politics, society, culture and the world.

Putting this all together raises the crucially important counterfactual question: what would a world *without* VC look like? Would we still have Google, Amazon, Uber, Facebook, Netflix, Tesla, Moderna, and so forth, not to mention the countless massive startups that pervade our life without us even knowing?

This, I believe, is an important question precisely because it is the wrong question. It is not whether we would have such products along with their underlying technologies, but rather whether we would have them at such scale, and whether without VC backing they might have been competed out of the market in favor of superior services and products. Moreover, the questions we should really be asking are

⁶⁴¹ Thiel and Masters, *Zero to One*, 31.

whether we still have the capability to perform effective internet searches, engage in the convenience of online retail, hail rides from our phones, connect and share content with our friends online, watch online streaming media, drive electric vehicles, access mRNA vaccines and so forth. The question should be about general purpose goods and innovations, not proprietary behemoths.

Problematically, while the VC industry encourages the emergence of novelty and change, its underlying will-to-monopolization necessarily entails invoking changes to the future that are potentially or actually irreversible. Paradoxically, it is a system of change oriented towards the goal of stasis. After all, without at least a sentiment or *appearance* of irreversibility, equity valuations based on the prospect of future monopoly rents have no way to be captured by investors and entrepreneurs. This leads, then, to the second aspect of moral hazard alluded to earlier. Monopoly at scale attempts to fix the future in place not simply at the level of economics, but also in terms of social, political, and cultural practice.

The implicit question in terms of the VC process is who might become the necessary *provider* of these socially necessary goods—the norm setter as it were. Put differently, the goal of VC is to find or produce the right startup to exploit this inchoate and nascent glimmer of future social necessity. If they can, and they can exploit this potential with the aid of capital, then the future may be locked in place before it occurs, and if that is the case then future value can become present value. However, this is not

only an attempt to lock the future in place in the present, but an attempt to do so indefinitely.⁶⁴²

There are two sides to this: on the one hand, there is an underlying technological capability (e.g., EVs, search engines, AI) that is stipulated to become, in generic form, necessary for social life—a historically minimum standard. This is the basis of innovation’s legitimacy—the idea that by changing historical minimums we are somehow realizing social *progress*. On the other hand, from a VC perspective, there is understood to be an individual provider of this technological capability that might become, in a *particularized* form, the necessary provider of this capability as a monopolist (e.g., Tesla, Google, OpenAI). It is on this second point, only a subtle drift from the first, that the entire edifice of legitimacy falls apart, for it is not a general capability that future generations will be bestowed—for a time, until a better capability comes along—but one particular (i.e., proprietary) version of that capability that denies the legitimacy or opportunity of alternatives *in advance*.⁶⁴³ The end result, as Mark

⁶⁴² Remember, this is the image that must be presented at exit by investors, it is not necessarily an actualized reality. On the other hand, from the entrepreneur’s perspective, this is the reality they are seeking, as they will likely be with the firm long after exit has taken place—whether that is the goal for an exiting firm or an acquiring parent firm. It is in this disinterested/interested binary that the moral hazard subsists. VC will do all it can to present an image of monopoly at the point of exit, with little care to post-exit reality; entrepreneurs *want* this image to be realized as their future depends upon it. Despite being members of the same society who will feel the effects of disruption (albeit as members of a different economic class), investors wedded to the VC process are incentivized to treat post-exit consequences—social, political, cultural—as irrelevant. After all, they have no bearing on the process or its success.

⁶⁴³ Perhaps the simplest and most ubiquitous example is Google. How many times have you, the reader, used Google today in the course of your necessary engagement with the world without even thinking about its character as a particular instantiation of a generic capability? Not only is Google one of the largest companies in the world by market capitalization, but it is also the most single most-prolific acquirer of VC-backed startups Pitchbook has on record, its count in 2023 standing at 164 acquisitions. Pitchbook Data. Accessed December 14, 2023.

Fisher warned, is a world in which the future increasingly looks like the present, which in turn looks like the past.⁶⁴⁴ Call it capitalist realism or late-capitalism, but ours is a world not merely of pastiche, but of increasing inflexibility. If VC is accelerationism in practice, an attempt to bring the future into the present, it is accelerating towards static fixity—a world in which novelty is merely a mode of the status quo.

The removal of alternatives has several knock-on effects. Invoking the philosopher of science Thomas Kuhn, the economist Carlota Perez claims that disruptive innovation, when successful, coalesces into a “techno-economic paradigm ... a set of all pervasive technological and organizational principles,” and that “[w]hen generally adopted, these principles become the common-sense basis of organizing any activity and for structuring any institution.”⁶⁴⁵ To underline the point, disruptive innovation is about far more than technological novelty—it is about changes in the practices pertaining to all domains of society. Business, politics, culture (e.g. art, music), social life, intimate life, and so on. And when these practices change, our ideas change with them. And our ideas, even in opposition, are enacted through practices (and subsequent ideas) feebly confined to the techno-economic paradigm in which we find ourselves. Our underlying truth parameters shift, such that these techno-economic paradigms become nothing less than ideological.⁶⁴⁶

⁶⁴⁴ Mark Fisher, *Ghosts of My Life* (Winchester, UK: Zero Books, 2022), 1–47.

⁶⁴⁵ Perez, 15.

⁶⁴⁶ “[T]he range of transformations induced by technological revolutions goes far beyond the economy, penetrating the sphere of politics and even ideology.” Perez, 15.

Moreover, it is not only that disruptive innovation in the economic sphere induces changes in social practices as a result of its diffusion, but that to *aid* this diffusion a new set of social institutions arise to exploit its growth. At first these established social institutions—designed as they are to meet the needs of an “old” world—are simply mismatched to meet the needs of a new world order, and in this context disruptive innovation appears as an antiestablishment force. However, as these changes take hold in the consumer spheres of society (including capitalist productive consumption), organizational elements begin to catch up, and eventually antiestablishment forces become all but indistinguishable from the establishment they sought to disrupt (both in terms of market power and the social-institutional framework in which they operate).⁶⁴⁷

Thus, disruptive innovation is not merely techno-economic, but social-institutional and even cultural. As Perez writes:

“Each technological revolution has led to the massive replacement of one set of technologies by another ... Each involved profound changes in people, organizations and skills in a sort of habit- breaking hurricane. ... New actors, usually young, burst into action shaking a firmly established and complacent world ... New industries have grown, a new infrastructure is in place; new millionaires have appeared; the new way of doing things with the new technologies has become ‘common sense’.”⁶⁴⁸

⁶⁴⁷ This point will be discussed at length in Chapter 4. Carlota Perez, *Technological Revolutions and Financial Capital* (Cheltenham, UK: Edward Elgar Publishing, 2002), xviii.

⁶⁴⁸ Perez, 4.

The idea of common sense, associated with Marxist critics such as Antonio Gramsci and Stuart Hall, implies a hegemonic shift concomitant to disruptive innovation—a disruption in the modes of consent and coercion underlying a given society at a particular historical conjuncture. And it is here that we can see the confluence of economic power and its influence over society, culture, and politics. Nearly all of us today consent to having our location constantly tracked, to having our data shared between apps, to having our lives interrupted 24/7 by a constant buzzing in our pockets or purses, to having our media suggested to us, to having our service providers employed by zero-hours contracts lacking any forms of basic labor protection, and so on. This is a new and established world order to which we have all *already* submitted.

By the time it is even remotely possible to take stock of this situation, our new social, cultural, and political reality has already been set in place. Disruptive innovation fueled by VC growth allows agents working in smaller market segments to grow rapidly and insidiously into positions of social dominance. The political act of disruptive innovation is a *fait accompli*. In this context, social institutions—if they have not already changed to accommodate the paradigm—must bend to accommodate the techno-economic paradigm rather than the reverse. Regulation will come—it always does—but it is always playing catch-up.⁶⁴⁹ Because disruptive innovation is by definition novel and therefore pertains to esoteric knowledge, regulators invariably look to the disrupters for input as to how that regulation might work. Hegemony is thus

⁶⁴⁹ “It is a time when the leading actors in the economy, society and government recognize the excesses as well as the unsustainability of recent practices and trends, however wonderful they may have seemed until then.” Perez, 52.

realized; even as it is being challenged, the new techno-economic-social paradigm is operating on its own ideological terms. After all, having demonstrated its own legitimacy with years of VC- and investor-backed growth, it has been “proven” both progressive and effective.

IV: CAPITALIST RENEWAL AND REPRODUCTION

Free Markets as a Means to Monopoly

While establishment monopolies are intent upon protecting their monopoly status and thus pursue defensibility as a rational strategy, they also depend upon the free-market system to produce new products and markets that they may either compete for or acquire and absorb.

It is a natural consequence of entrepreneurial success that competitors will emerge seeking to imitate the value opportunity discovered or created. This imitation in turn incentivizes the initial innovator to seek means of defensibility so as to preclude others from imitative action and thus to preserve market revenue (and future monopoly potential). As Andreessen puts it: “I tell them they shouldn’t even think about going public until they’ve built what I call a fortress. You build a company that’s so big and powerful and well defended that it can withstand the pressures of being public.”⁶⁵⁰

⁶⁵⁰ Adi Ignatius and Marc Andreessen, “In Search of the Next Big Thing: An Interview with Marc Andreessen,” in *HBR’s 10 Must Reads on Entrepreneurship and Startups*, ed. Harvard Business Review, HBR’s Must Reads (Boston, Massachusetts: Harvard Business Review Press, 2018), 61.

Defensibility mechanisms fall into two categories: (1) secrecy (i.e., the exclusive preservation of knowledge and intellectual capital); and (2) barriers to entry, such as economies of scale and network effects (i.e. saturating the market) or legal monopoly via exclusive contracts or patents. For firms that have not yet exited, legal barriers in particular increase the likelihood of exit by IPO—which is to say: the guarantee of monopoly rents increase the likelihood of becoming a public company; for post-exit firms, legal barriers are a means of sustaining value.⁶⁵¹ VCs are well aware of this. Research shows that startups seeking patents raise more capital, with roughly 58 percent of VC going to (typically later stage) startups seeking or possessing patents. The promise of guaranteed monopoly therefore increases valuation both for private funding rounds and for exits by IPO or M&A (in the latter case the acquirer is essentially buying the legal monopoly), with IPO companies being valued 48.2 percent higher and M&A companies 154.9 percent higher than their non-patent counterparts. Despite accounting for only 24.4 percent of the overall exit count, companies with patents accounted for 78.6 percent of all VC exit value in the period between 2011 and 2022.⁶⁵² Future monopoly, and the rents that come with it, really do elevate valuations in the singularity of exit.

If done correctly, defensibility can be effective to the extent that it diminishes the likelihood of an established firm (or other antiestablishment firm) competing a

⁶⁵¹ Shane, *A General Theory of Entrepreneurship*, 196–200.

⁶⁵² Andy White and James Ulan, “Quantitative Research: Introducing PitchBook Patent Research” (PitchBook, February 6, 2023), https://files.pitchbook.com/website/files/pdf/Q1_2023_PitchBook_Analyst_Note_Introducing_PitchBook_Patent_Research.pdf#page=1.

newcomer out of the market. The simple fact remains that antiestablishment startups have many advantages not available to established firms. For starters, as we have seen, established firms must prioritize sustaining innovation and value preservation in order to meet shareholder requirements and reporting obligations. Moreover, these kinds of firms are often revenue producing and either profitable or (ostensibly) on the path to future profitability. They are thus chained to the priorities of the general formula for capital, (M—C—M'), with all its frictions and the demands of realization. Antiestablishment startups, on the other hand, obey only the general law of VC (E—G—E'), which makes no demands on realization and allows all revenue or of invested capital to be applied to the dual priorities of growth and disruptive innovation.

Let us revisit this advantage. The general formula for VC presents growth (G) as the product of the VC-Entrepreneur relationship rather than the commodity (C) as stipulated by the general formula for capital. In both cases, however, the mediating element (G/C) of the sequence is the special, particularized form of the more general and universal elements preceding and succeeding it (E/M). That is, equity (E) is the universal equivalent of growth (G), just as money (M) is the universal equivalent of (C). Both E and M, then, are but universal and abstract instances of the G and C respectively. Equity is a type of growth, just as money is a type of commodity. While both commodities and growth have *underlying* utility (i.e., use-value), the characteristic feature of both money and equity is that they both reduce utility to exchange-value. Just as money mediates commodity circulation, so too does equity mediate growth.

The ability to possess commodities and growth in their universal form allows each to be accumulated and exchanged which, for David Harvey, amounts to social power:

“Money represents, after all, exchange value *par excellence*, and thereby stands opposed to all other commodities and their use values. Money assumes an independent and external power in relation to exchange because, as the universal equivalent, it is the very incarnation of social power. This social power, furthermore, can be appropriated and used by private persons.”⁶⁵³

Comparing the relationship between money (M) and commodities (C) to equity (E) and growth (G), we can thereby consider equity as the means by which growth may be appropriated and used by private persons in a symbolic form bestowing social power. This is evidently true when we consider the social power of equity rich, formerly VC-backed magnates such as Jeff Bezos, Elon Musk, or Mark Zuckerberg, all of whom are frequently referred to as “billionaires” despite the vast majority of their wealth being possessed in the form of equity. Their social power ultimately lies in the ability to trade speculative growth (G) in its equity form (E/C) into money (M). However, unlike money, which has a relatively fixed value variable only to the sways of inflation, social power stored as growth (G) has a speculative power not limited to actualized (i.e., past) achievement, but future potentiality. This allows social power to be inflated on the basis

⁶⁵³ Harvey, *The Limits to Capital*, 245.

of projections of confidence—by a movement *towards* rather than an arrival at any given destination in reality.

While realization is delayed and the general formula for capital slowed in a violation of capitalist imperatives, the task remains the same: to repeat the cycle with increasing rapidity. Increasing the velocity of the sequence E—G—E' allows M—C—M' to slow, for growth (grounded in speculation) is a greater valorizer of invested wealth than actual production, the latter of which requires realization in terms of profit from consumption. The cycle E—G—E' thus de-risks the acquisition of social power from its dependence on realization; it allows accumulation to occur without adherence to the normal laws of capital, and often even the laws of the land.⁶⁵⁴ It is on this basis that VC-backed startups—the antiestablishment—are able to dethrone or threaten establishment actors. The rapidity and agility of their approach allows them to wrongfoot establishment firms by virtue of these very characteristics.⁶⁵⁵ The latter are often unable to work at speed or with agility (focused as they are on sustaining value). And they are less able than antiestablishment firms to break laws (of the land *or* of

⁶⁵⁴ We shall address this topic in depth in Chapter 4. It is evident, however, that many active or formerly VC-backed firms flout the law to achieve market dominance. Uber, for instance, for much of its growth phase has simply ignored “cease and desist” notices from municipal governments wherever it has entered and tried to colonize market space. Bradley Tusk of Tusk Ventures, who acted as a political adviser to Uber during their growth period in exchange for equity, explained to me in an interview that this was their strategy from the outset—he simply advised Uber to tear up the cease and desist notices and to work on building public demand and legitimacy. Tusk has since built a whole VC business out of “regulatory arbitrage”—out of exploiting regulatory ambiguity while pursuing growth and achieving *fait accompli* monopolies before establishment regulators are able to catch up. DraftKings (online gambling), and Lemonade (online insurance) are also products of his VC firm’s making.

⁶⁵⁵ The term “blitz” in VC Reid Hoffman’s book and concept *Blitzscaling* is an explicit reference to the “blitzkrieg” attacks by Nazi forces on London during World War II. The term in German literally means “lightning war” and was designed to take the Nazi’s enemy (Great Britain) by surprise, giving them an usurper’s advantage. Hoffman and Yeh, *Blitzscaling*.

capital) due to their size, the obligation of fulfilling their value sustaining operations, and the weight of public oversight. In short, antiestablishment firms can do things establishment firms cannot.

And yet, we should not presume that establishment incumbents have no advantages. They possess, after all, proven products, repeat customers, distributor agreements, partner agreements, and the backing of public or institutional investors.⁶⁵⁶ They also often have significant cash flow with which they may invest, engage in M&A activities, or fund startups (i.e., become a VC entity).⁶⁵⁷ As a result, establishment firms—especially those who have already come through the VC process as former antiestablishment disruptors, what I shall below refer to as the anti/establishment—do not simply kick the figurative ladder away and then move on (like many establishment firms), but occasionally and selectively offer a rope to upstarts startups looking to rise to their heights.

There are two ways to consider this. The first is to revisit Table 0.1 in the introduction which lists the top 10 global companies by market capitalization, the majority of which were VC-backed. As already noted, these firms are more than simply product-makers—they are agents of social, cultural, and political change. Apple, Facebook (Meta), Google, Amazon are a core part of contemporary social life—

⁶⁵⁶ “In pushing a business towards pioneers, execs should be aware that even though settlers have marginal growth potential, they are frequently today’s cash generators.” Kim and Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, 100.

⁶⁵⁷ Nick Srnicek, *Platform Capitalism* (Cambridge, UK: Polity Press, 2017), 59.

mediating where we shop, who we speak to, what media we consume, how we receive our news, how we protest, how we play, how we acquire knowledge, and so on.

The second way to think about this is to take stock of the most prolific *acquirers* of VC-backed firms, several of which overlap with the list of largest firms by market capitalization, and most of which were themselves VC-backed at one point (Table 2.3).

Acquirer	Number of Acquisitions	VC Backed?	Market Cap Rank
Alphabet (Google)	164	Yes	4
Microsoft	140	Yes	2
Cisco	138	Yes	53
IBM	106	No	86
Yahoo	101	Yes	acquired by Verizon (78)
Oracle	96	Yes	30
Apple	84	Yes	1
Meta (Facebook)	70	Yes	7
Intel	67	Yes	57
Dell EMC	60	No	336
Amazon	56	Yes	5
Medtronic	53	No	128
Salesforce	52	Yes	37
X.Corp (Twitter)	51	Yes	438
VMWare	50	Yes	275

Table 2.3 – Companies with > 50 acquisitions of VC-backed firms⁶⁵⁸

In either case, as can be seen, VC is a significant vehicle and instigator of centralization in the economy, either producing monopolies through IPOs, or buttressing them through M&A exits.

The problem is this: while growth does not cease to be a primary motivation for firms that have gone public, because public shareholders demand certain levels of stability, a firm's priority must shift from disruptive innovation to sustaining innovation, and the business's core value propositions must be prioritized. Although an IPO can provide significant capital to engage in disruptive alongside sustaining innovation activities, firms often engage in M&A activities as a substitute for in-house R&D activities.⁶⁵⁹ This serves two purposes. For one, it captures the contracted time intensity of startup growth and innovation that is unavailable to the acquirer now that they are subject to shareholder temporalities; for another, it eliminates potential competitors by absorbing them and essentially turning them into assets. "R&D by M&A" thus becomes a key means of established firm expansion and growth when their antiestablishment methods are no longer part of a viable strategy.⁶⁶⁰ For established

⁶⁵⁸ Source: Pitchbook Data. Accessed July 30, 2023.

⁶⁵⁹ Aktas, Andres, and Ozdakak, "The Interplay of IPO and M&A Markets," 213.

⁶⁶⁰ Clearly, this is not the only strategy, it is just a prominent one leveraged by the VC mode of investment and exit. A notable alternative is the "fast follower" model exemplified by Microsoft. Famously, rather than introducing technologies and products directly, Microsoft simply used its vast capital resources and already established market dominance to quickly imitate disruptive technologies. In this sense it was arguably a "big tech" pioneer in ensuring that, as a disrupter, it could act with self-awareness to avoid being disrupted itself. Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 86–87.

firms in need of growth while necessarily focused on sustaining innovation and value preservation, R&D by M&A de-risks R&D activities by effectively outsourcing them; the uncertainty of disruptive innovation is, as such, eliminated for the acquiring firm as it has already been worn by the firm to be acquired.⁶⁶¹

If and when would-be competitors and usurpers catch up to an established (e.g. public exited) firm through novel means of disruptive innovation, the original disrupters (now practicing sustaining innovation) have a strong incentive to grow and advance their business in order to sustain value they are presently (or were previously) capturing as a result of their own original disruptively innovative contribution to the capitalist economy. Often unable to dedicate the resources (i.e., “startup” like business structures and incentives) necessary for engaging in disruptive innovation in the way these competitors are, the established firm is incentivized to negate this threat by acquiring and absorbing its value proposition.⁶⁶² Thus, while traditional accounts of entrepreneurial capitalism, particularly those given by Schumpeter and his adherents,

⁶⁶¹ R&D by M&A has become part of the core business strategy for many large pharmaceutical industries. A technical shift in the industry towards “biologics,” which are far harder (and therefore costly) to manufacture and test, ballooned R&D costs for pharmaceutical companies and added significant risk and uncertainty. To negate this, they have simply outsourced their R&D to VC-backed startups, acquiring them as soon as technical risk has been mitigated through some breakthrough. While the technical risk of biotech investment is high, the market risk is generally low because it is easy to map use-cases. For VCs investing in startups specializing in biologics, the risk is therefore high, but only up to an extent—VCs can quickly abandon firms that do not appear to be progressing, and can exit their positions early, passing on any remaining clinical or and market risk, almost as soon as the basics are proven. Exit in this market is thus “pre-market” and based entirely on the *potential* future value expressed in the singularity of exit. William Janeway compares technical risk and market risk in the biotech industry to a lightbulb, the two questions being 1) will it light up? (technical risk) and 2) does anyone care? Biotech, he claims, is unique compared to other markets such as software. While the former question possesses greater (and longer) uncertainty in biotech ventures, the latter possesses greater certainty. Timing is, as such, everything. Katie O’Leary, “Exploring the Intersection of Biotech and VC,” *Pitchbook* (blog), February 7, 2023, <https://pitchbook.com/blog/biotech-venture-capital>; Janeway, *Doing Capitalism*, 57; Shane, *A General Theory of Entrepreneurship*, 211.

⁶⁶² Harvey, *The Limits to Capital*, 120–21.

argue that competition forces continuous innovation and avoids the “soporific effect[s]”⁶⁶³ of monopoly by keeping established firms on their toes, the limits to this process are found in the easily integrated structures of modern technologies and firms such that M&A becomes a means for monopolists to strengthen their position while not reneging on their commitment to market domination.⁶⁶⁴ As Marx suggests in *Capital*, centralization through extrinsic growth (i.e. M&A) can achieve “in a twinkling of an eye” what it might take organic growth (i.e., concentration by accumulation) years to bring about.⁶⁶⁵

This culture of concentration is not just of benefit to the establishment. Because growth is so integral to the very structure of startups, if they cannot grow into establishment entities on their own then M&A becomes a rational strategy for them also. Gao et al, for example, have argued that changes in the pace of innovation have

⁶⁶³ Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition*, 102.

⁶⁶⁴ As David Cicilline, chair of the US Congress antitrust subcommittee put it, Zuckerberg “acknowledged in this hearing that his acquisition of WhatsApp and Instagram [both VC-backed companies] were part of a plan to both buy a competitor and also maintain his money, power, or his dominance. That’s classic monopoly behavior.” Bradley Tusk, “Zuck, Bezos, Cook: Who Takes the Fall in D.C.’s Antitrust Games?,” *Fast Company*, August 3, 2020, <https://www.fastcompany.com/90535277/zuck-bezos-cook-who-takes-the-fall-in-d-c-s-antitrust-games>.

⁶⁶⁵ In Marx’s original account the reference to “centralization” denoted the phenomenon of joint-stock companies and the pooling of diverse capitals within a single corporate entity. For the purpose of my argument this is no different from either the VC process nor Exit by M&A or IPO. In each case, the method is to move towards market dominance by combining capital. For Marx, the limit to this process “would be reached only when the entire social capital was united in the hands of either a single capitalist or a single capitalist company.” Were this to occur, however, capitalist production would essentially break down. That this does not occur is explained by Marx (in a prescient foreshadowing of Schumpeter’s argument concerning creative destruction) as a result of counteracting tendencies that “work alongside this centripetal force, in the direction of decentralization.” Curiously, then, whereas Schumpeter believed capitalist production would eventually break down, Marx evidently did not. Karl Marx, *Capital: A Critique of Political Economy: Volume One*, trans. Ben Fowkes (Penguin Books, 1976), 779–80; Karl Marx, *Capital: A Critique of Political Economy: Volume Three*, trans. David Fernbach (London, UK: Penguin Books, 1981), 355; Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition*, 156.

increased the importance of growing quickly, because the window of opportunity is that much narrower (i.e., the disrupters may be disrupted if they do not build economies of scale and other defensibility mechanisms quickly enough to fortify their position from potential usurpers). Concomitant to the phenomenon of a reduction in small-firm revenue, the authors argue that many small firms can increase their operational earnings and thus their valuation by choosing to merge or be acquired, as opposed to pursuing an independent IPO exit. Because VCs control the exit decisions for the majority of such firms, it may therefore be argued that VC incentives are the key driver not only of the emergence of new monopoly forces in the economy (i.e. via IPO), but also a key source of the raw material maintaining and extending monopoly positions (M&A).⁶⁶⁶ There is in fact evidence to suggest that the likelihood of a firm being acquired increases by around 30 percent when VCs have been issued strong control rights in term sheets and definitive agreements.⁶⁶⁷ This places the role of VC squarely in the frame of increasing centralization in the global capitalist economy, and helps explain why M&A exits constitute the vast majority of successful exits in a thriving VC industry.

When we put all this together with VC as the mediating factor, it becomes apparent that we cannot simply separate the establishment from the antiestablishment

⁶⁶⁶ Xiaohui Gao, Jay R. Ritter, and Zhongyan Zhu, "Where Have All the IPOs Gone?," *Journal of Financial and Quantitative Analysis* 48, no. 6 (December 2013): 1663–92, <https://doi.org/10.1017/S0022109014000015>; Kesten, "The Law and Economics of the Going-Public Decision," 41.

⁶⁶⁷ Douglas Cumming, "Contracts and Exits in Venture Capital Finance," *The Review of Financial Studies* 21, no. 5 (September 1, 2008): 1947–82, <https://doi.org/10.1093/rfs/hhn072>; Aktas, Andres, and Ozdakak, "The Interplay of IPO and M&A Markets," 203.

but must consider a third ambivalent entity: the anti/establishment. This entity, as I conceptualize it, denotes firms (and agents) who were once antiestablishment actors but have now become part of the establishment. These firms are not like the traditional “establishment.” Obviously, they are nothing like the state establishment, but they are also nothing like the corporate behemoths of old—the Fords, Walmarts, and Exxons, and so on—this is the new establishment that “once-was” the antiestablishment and is self-aware of this role. It is self-aware of the threat of disruption and of its own new inability to practice it as effectively in the public sphere. Hence the undecidability implied by the term anti/establishment.

In the context of this ambivalence, it becomes understandable why recent IPO firms acquire more frequently than long-established firms—not only do they have fresh capital, but also the memory of their own antiestablishment credentials working in tandem with their new-found establishment status and obligations.

But what role does VC play here? At first glance, it might be argued that capital concentration presents an obstacle for VC in terms of reducing economic and market possibilities for exits (i.e., the presence of monopolies with unprecedented economies of scale negates the possibility of any startup being able to compete). However, this is not true for two reasons. First, the existence of monopolies provides an outlet for VC to exit portfolio firms by M&A—sometimes spectacularly, as we have seen (Table 2.1). Second, VC is primarily interested in opportunities which can capture *uncontested* market space, and thus generally competes in markets other than those dominated by

powerful incumbents.⁶⁶⁸ When all-or-nothing markets are in play, operating without competition is a distinct advantage.

Further supporting my claim that M&A is a means by which monopolies are sustained and entrenched, evidence shows that IPO firms tend to acquire more frequently than other firms, particularly when the IPO is fresh, in large part because IPOs provide the means by which such deals are able to take place.⁶⁶⁹ For one thing, IPOs provide the capital necessary to finance growth activities such as acquisitions. Moreover, given the liquidity of their now public equity, they can offer stock as whole or partial payment to target firms (this is particularly likely when a firm has gone public with an overpriced offering).⁶⁷⁰ Given IPO firms are presumed to have a promising growth trajectory, and that trajectory is presumed to be boosted by the acquisition itself, this option can be very enticing to smaller firms (and VCs) in need of an exit, particularly when market conditions are favorable (which also makes it likely that more firms will go public by IPO).⁶⁷¹

⁶⁶⁸ This is Kim and Mauborgne's distinction between the competition of bloody red oceans and the supposedly uncontested space of blue oceans; it is Thiel's suggestion that one should monopolize small where others have not yet conquered and then grow that monopoly into something bigger; it is Hoffman's exhortation for startups to blitzscale their way to dominance quickly and inefficiently in order to beat the crowds. W. Chan Kim and Renée Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* (Massachusetts, USA: Harvard Business Review Press, 2015); Thiel and Masters, *Zero to One*; Hoffman and Yeh, *Blitzscaling*.

⁶⁶⁹ Aktas, Andres, and Ozdakak, "The Interplay of IPO and M&A Markets," 202.

⁶⁷⁰ Ugur Celikyurt, Merih Sevilir, and Anil Shivdasani, "Going Public to Acquire? The Acquisition Motive in IPOs," SSRN Scholarly Paper (Rochester, NY, June 30, 2008), 20, <https://doi.org/10.2139/ssrn.1153508>.

⁶⁷¹ Again, the exchange of stock for the purchase of equity demonstrates its status as a commodity. Using cash, of course, is in principle the same operation, only using a universal rather than particular commodity. Aktas, Andres, and Ozdakak, "The Interplay of IPO and M&A Markets," 212–13.

VC mediates this relationship by inculcating growth strategies into startups that go on to be establishment actors, as well as providing an outlet of novelty for the anti/establishment to absorb. They benefit from monopoly just as much as they benefit from M&A, as is evidenced by the lobbying activities of the NVCA. For example, when a bill was introduced to the US Senate in 2021 (CALERA) proposing additional scrutiny over M&A deals involving large acquirers (i.e., a market capitalization exceeding \$100 billion) attempting to acquire firms valued at \$50 million or more, the NVCA—which represents the US VC industry as a whole in the political sphere—held a panel decrying its unintended impacts.⁶⁷² In the panel, hosts and speakers noted that extremely large firms provide both the input of entrepreneurial talent for VC (i.e., new startups) and the output of deal sourcing for exit by M&A. According to Patricia Nakache, a GP at Trinity Ventures speaking as a member of the panel,

“Acquisitions are the main liquidity path for entrepreneurs and investors and ... core to incentives in the venture ecosystem ... I think as investors, we all aspire to have our companies go public because that usually generates the best returns for us but it's often not a viable option ... it's really kind of a select few that are able to go public so M&A ... is the central liquidity path, and if you introduce friction into that process then you reduce the ability of entrepreneurs to pursue an M&A exit.”

⁶⁷² Sen. Klobuchar; *Impact of Antitrust Scrutiny and Proposed Regulatory Changes on VCs and Startups* (NVCA (Online Webinar), 2021), https://zoom.us/rec/play/zh740b70f518214bnupgx-rf8MrFZpqrKodTyCeCwmrJrRqxHcBJr0nGC9KCNdiE54KIF2fMFBS1yAZI.NTLVEext6PTiT4P_?continueMode=true.

For Nakache and the other panelists, what makes the proposed legislation so egregious is the fact that a market capitalization of \$100 million seems to be too far reaching—that is, there are so many giant firms out there that this legislation would kill the M&A market. In reality, there are in 2023 fewer than 140 companies in the world that meet this criterion, suggesting that only market dominators and monopolists would be affected.⁶⁷³ Furthermore, as NVCA General Counsel Jeff Farrah points out, acquisitions by companies meeting the bill’s criteria in the previous three years amounted to more than one hundred, suggesting the largest companies in the world actively acquire as a means of innovation or as a way of eliminating potential competitors. Hardly a blow for the underdog. Indeed, as Nakache goes on she effectively admits that the odds of being able to challenge these large companies is very low:

“We’re always looking for the big win, we’re always looking for the challenger who can go it alone and become that standalone public company, but [the] odds are ... low, and so you know, having the backup plan of a potential acquisition is ... helpful as far as both providing incentive for the entrepreneur and providing ... sufficient incentive for investors.”

Given that the CALERA bill is all about increasing the opportunity for competition and to aid market challengers, it would appear Nakache is not fully consistent in concealing her self-interest as a VC. The fact is, large companies have more capital for bigger

⁶⁷³ <https://companiesmarketcap.com/> . Accessed December 18, 2023.

acquisitions and are thus a source of the biggest M&A deals for VC. No matter how we read this it looks bad for competition, and the only people who see things differently are those who stand to profit.

The Subsumption of Novelty

In the preceding argument, the main concept I have been trying to articulate is that exit, as the mediating point between the inside and outside of the VC process, is the threshold for subsuming that which is new and disrupted within that which is old and established. Either by supplanting the establishment or merging with it, the goal for all antiestablishment disruptors—the supposed purveyors of novelty in the capitalist economy—is to become a part of the establishment. That is, the purpose of renewal is to keep reproduction alive. One of the key effects of VC in the capitalist economy, then, is to help capitalist accumulation side-step secular problems such as the falling rate of profit, the cyclical nature of crises, and overaccumulation. By introducing novelty and with it new sources of value, the capitalist system is able to stay alive regardless of any given crises, while also preserving its traditional power arrangements.

This applies no matter how novel or radical the phenomenon. Consider, for example, the recent disruptive emergence of “generative artificial intelligence.” As one private equity investment newsletter put it: “The only thing hotter than funding AI startups may be acquiring AI startups ... The bottom line: The AI revolution will be consolidated.” The FTC has taken note, writing:

“Incumbent firms could also use M&A activity in the generative AI space to consolidate market power in the hands of a few players. Large firms already active in generative AI—or that already control a critical input—may try to buy up critical applications and cut off rival access to core products. Market leaders may also try to buy up complementary applications and bundle them together. Additionally, incumbents may be tempted to simply buy up nascent rivals instead of trying to out-compete them by offering better products or services.”⁶⁷⁴

It is in this light that we can see, from a capitalist point of view, that the essence of the innovation economy is not the product or commodity, but the market underpinning it. However the form may change, this fact remains true. The motive behind antiestablishment disruption is to become the establishment, “it is the move from being pioneers to becoming settlers.”⁶⁷⁵ Only the beneficiaries change under the force of disruption, the establishment itself stays relatively the same. Anti/establishmentarianism merely evolves this state of affairs by providing a systematic means for novelty to be subsumed within the status quo, for institutionalizing via VC the capacity to renew reproduction.

Returning to Andreessen’s mission to mainstream bitcoin, we can see that as radical and novel as the cryptocurrency fad may seem, it ultimately pertains to little

⁶⁷⁴ Staff in the Bureau of Competition & Office of Technology, “Generative AI Raises Competition Concerns,” *Federal Trade Commission* (blog), June 29, 2023, <https://www.ftc.gov/policy/advocacy-research/tech-at-ftc/2023/06/generative-ai-raises-competition-concerns>.

⁶⁷⁵ Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 225.

more than the market for money—the market to rule them all. Owning or controlling that market (in whatever form) is Andreessen’s prize, not revolution. The disruption accelerated and grown into being by VC is a disruption of content rather than form; it is a modification of wants such that they appear as needs, those wants being accidental properties of the necessary essence underpinning human consumption. We *need* food, water, shelter, social interaction, procreation, a system of exchange and so on. But do we *need* an app for that?

Research on the diffusion of innovations has long recognized this point. Everett Rogers, for instance, writes that “[a] basic assumption ... based on market research, formative evaluation, and on social marketing, is that an individual will behave toward a new idea in a similar manner to the way the individual behaves toward other ideas that are perceived as similar to the new idea.” That is, while disruption constitutes a change in practices and ideas, compatibility with existing practices ideas is key to successful adoption.⁶⁷⁶

* * *

As we reach the end of Part I, let me summarize the argument thus far. I have attempted to show that the VC process, as a mode of investment, hinges on an exit process commonly represented as an event. Exit draws together—contracts—all temporal features of the VC process, based as it is in speculation represented by the movement

⁶⁷⁶ Rogers, *Diffusion of Innovations*, 251.

E—G—E’. Not only does exit “contract” time by making the present a function of the past and future, but it holds this relationship together through contracts that draw together various incentives, obligations, speculations, and property claims.

To explore the concept of contracted time, I split my analysis of the VC process into two parts. In the first part (Chapter 1) I addressed the internal dynamics of the VC process, arguing that contracted time *prior* to exit (as event) constitutes a field of social necessity in which the entrepreneurial process is modified and the normal rules of capitalist accumulation are suspended. VC-backed entrepreneurs, I suggested, on their journey to becoming valued veterans of the VC process (ventrepreneurs) become embedded in a process and social relationship that is structurally designed to prioritize investors outcomes. Threatened by the uncertainty of exit while being absolved from the requirement to generate profits, the VC-embedded entrepreneur is faced with a unique set of incentives, all of which come together in the VC process as a set of disciplinary mechanisms (re)producing distinctive behavioral norms and expectations. The goal of the process (as designed) is to intensify growth as a means of valorizing equity, and to maximize the value representation of this equity at the moment in time represented as the exit “event.”

Building on this argument, I attempted in Chapter 2 to explore the external dynamics of the VC process, and the various factors informing this moment of realization. Beginning with an enumeration of the pathways to exit along with the various actors introduced as the VC-Entrepreneur relationship comes to its end, I argued the appearance of exit as an event permits a structural breakpoint between all

that precedes and all that succeeds exit. The reality, I attempted to show, was that both sides of the exit “event” are in fact part of the same exit process, and that just as the exit contracts time in the events leading up to the symbolic event, so too does exit contract the future into exit at the moment of its realization. Exit is, as such, a temporal singularity, an image of the past, present, and future contracted into a moment and designed to maximize the realization of value as VC investors attempt to cash out.

When seen from its external aspect, however, it becomes apparent that the VC process cares only about value realized at the level of a fund, and individual firms are relatively inconsequential. This structural imperative leads to what I described as a “moral hazard”—a situation in which the actions of one actor or group produces consequences which become the liability of others. Moreover, because VC seeks uncontested market space that could feasibly be monopolized, and therefore invests in firms practicing disruptive innovation, this moral hazard pertains not merely finance or economics but also to society, culture, and politics. While the VC process itself is logically indifferent to the events following exit, it must—up until and in the immediate period following exit—support a company *as if* it will dominate the future, and this variably produces business entities that go on to become establishment monopolies. Even when it does not, it often produces smaller monopolies that may be sold to and absorbed within existing establishment firms.

Thus, a curious ambivalence emerges: VC, intentionally or not, becomes an anti/establishment force; it supports and drives forward both antiestablishment and establishment actors and effectively merges them in the post-exit world of global

capitalism. The legacy of hypergrowth that it imprints upon its former graduates produces behemoths of industry that dominate an ever-increasing portion of everyday life in production and consumption and incessantly absorb novelty in the pursuit of the status quo. The paradox of the anti/establishment is the paradox of how reproduction may be renewed, of how an external field of social necessity may be formed and continuously iterated upon without power ever losing its throne.

As we move into Part II, the focus of which is space as opposed to time, I should remind the reader of the most important constant in my argument—the general formula for VC. This formula, a modification of Marx’s general formula for capital, defines the underlying process as grounded in a dance between growth and equity (E—G—E’). However, as will no doubt be apparent, we have not yet interrogated the meaning of either growth (G) nor equity (E). Unpacking and critiquing these elements will be the focus of Parts II and III, respectively.

PART II: CAPTURE

[CHAPTER 3a]

S.V.C. (First Overdetermination)

Social Venture Capital and the Stratified Venture Class

“Venture capitalists invest in people as much as in ideas.”⁶⁷⁷

~Reid Hoffman, *The Startup of You*, p.83

“There are only three sources of growth: population growth, natural resource utilization, and technology. Developed societies are depopulating all over the world, across cultures – the total human population may already be shrinking. Natural resource utilization has sharp limits, both real and political. And so the only perpetual source of growth is technology. In fact, technology – new knowledge, new tools, what the Greeks called *techne* – has always been the main source of growth, and perhaps the only cause of growth, as technology made both population growth and natural resource utilization possible. We believe technology is a *lever on the world* – the way to make more with less.”⁶⁷⁸

~Marc Andreessen, *The Techno-Optimist Manifesto*

“[T]hese growth enterprises ... are all examples of "new technology," all new applications of knowledge to human work, which is, after all, the definition of technology. Only the "technology" is not electronics or genetics or new materials. The "new technology" is entrepreneurial management.”⁶⁷⁹

⁶⁷⁷ Hoffman and Casnocha, *The Start-Up of You*, 83.

⁶⁷⁸ Andreessen, “The Techno-Optimist Manifesto.”

⁶⁷⁹ Drucker, *Innovation and Entrepreneurship*, 11.

~Peter Drucker, *Innovation and Entrepreneurship*, p.11

“[S]o intensive are the interactions, so wide the ramifications, that technological change appears to assume an autonomous dynamic, entirely divorced from its origins in capitalist competition and class relations. Technological change can become ‘fetishized’ as a ‘thing in itself’, as an exogenous guiding force in the history of capitalism. The presumption of the necessity and inevitability of technological change becomes so strong that the striving for it—embodied in a prevailing ideology of technological progress—becomes an end in itself.”⁶⁸⁰

~David Harvey, *The Limits to Capital*, p.122

“[T]he habitus makes coherence and necessity out of accident and contingency ... In a class society, all the products of a given agent, by an essential *overdetermination*, speak inseparably and simultaneously of his class—or, more precisely, his position in the social structure and his rising or falling trajectory.”⁶⁸¹

Pierre Bourdieu, *Outline of a Theory of Practice*, p.87

“The demand for men necessarily regulates the production of men, as of every other commodity.”⁶⁸²

~Marx, *Economic and Philosophical Manuscripts*, p.283

“To be sure, the matter looks quite different if we consider capitalist production in the uninterrupted flow of its renewal, and if, in place of the individual capitalist and the individual worker, we view them in their totality, as the capitalist class and the working class confronting each other.”⁶⁸³

⁶⁸⁰ Harvey, *The Limits to Capital*, 122.

⁶⁸¹ Bourdieu, *Outline of a Theory of Practice*, 87.

⁶⁸² Marx, “Economic and Philosophical Manuscripts,” 283.

⁶⁸³ Marx, *Capital*, 732.

~Marx, *Capital: Volume I*, p.732

INTRODUCTION: IT'S WHO YOU KNOW, AND WHAT THEY KNOW THAT MATTERS

When Peter Thiel first met Reid Hoffman, they were both undergraduates at Stanford studying the deeper meanings of the human condition. Hoffman was a student of symbolic systems and cognitive science, while Thiel was finding rapture in the sermonistic philosophical and pseudo-anthropological lectures of René Girard. Girard's main intellectual contribution, a controversial idea known as the "mimetic violence" hypothesis, would later come to dominate the investment philosophies of both Thiel and Hoffman, though at the time neither especially anticipated a career in tech entrepreneurship (let alone VC). Hoffman came from a family of radicals and had originally planned to be an academic. Thiel, who went on to Stanford Law School and narrowly missed out on a Supreme Court Clerkship (a sliding door he later reflected on as fortunate), was a German immigrant, his father a chemical engineer in the Ohio mining industry.⁶⁸⁴

Both eventually concluded, however, that to change the world, the best vocation they could choose, the one that would afford them the most power, was tech entrepreneurship and ultimately VC. Beholden to a Silicon Valley ideology of

⁶⁸⁴ Max Chafkin, *The Contrarian* (USA: Penguin Press, 2021), 23.

invention fueled by capitalism, of romantic ideas about innovation as a panacea to all the world's ills, both Thiel and Reid leveraged personal connections made at Stanford to fulfill their dreams of changing the world (each becoming a billionaire in the process). Both found success by mobilizing a combination of place-specific ideals and connections.

For Thiel, this came in the form of Max Levchin, a young engineer who approached Thiel after hearing him talk on currency trading at Stanford. The two went on to form a startup called Confinity made up mostly of contacts the pair had made at Stanford, especially through the Stanford Review, a conservative newspaper that Thiel helped co-found and even now remains a crucial node of influence throughout the Silicon Valley social and professional ecosystem (see Figure 3a.1).

Confinity's offices, by virtue of their privileged location on University Avenue in Palo Alto right in the heart of Silicon Valley, just happened to be located in the same building as another startup founded by a then-unknown entrepreneur named Elon Musk. It was called X.com. The two firms were by and large antiestablishment competitors looking to take on the banking establishment and at a certain point, brokered by the VC Mike Moritz of Sequoia Capital, the two firms agreed to merge and join forces focusing on one key product—Paypal, an online peer-to-peer payments service. Paypal would eventually be sold to eBay for \$1.5 billion making wealthy men of all of them (and all of them *were* men).⁶⁸⁵

⁶⁸⁵ Peter Thiel and Blake Masters, *Zero to One: Notes on Startups, or How to Build the Future* (London, UK: Virgin Books, 2014), 42.

Hoffman, who had been invited by Thiel to invest and then later to work at Paypal, used his returns to found the professional social networking platform LinkedIn (which Thiel of course invested in). When LinkedIn went public in 2011 at a valuation of \$4.3 billion (the largest IPO since Google in 2004) it made billionaires of the pair. The success of LinkedIn—which, like Paypal, used Girard’s mimetic hypothesis as an underlying principle of online social virality—was nothing compared to success of Facebook, however—a firm which both Hoffman and Thiel were early to invest in. Sean Parker, founder of online file sharing platform Napster, had come across an early version of Facebook while dating a Stanford student. He contacted Reid Hoffman, who made a small investment and referred Mark Zuckerberg (Facebook’s co-founder) to Peter Thiel, who at the time was deemed to be different from the establishment VCs—a sort of antiestablishment Angel investor.⁶⁸⁶ The rest is history.

Many place Paypal as the centerpiece of Silicon Valley’s contemporary social history. While, of course, the region has its precursors going back to at least the 1960s, Paypal largely pioneered the growth hacking model that has become commonplace today among VC-backed startups. It also boasts a list of former employees and associates who are today either kings or kingmakers in Silicon Valley and beyond. So influential were its founders, early employees, and investors, that they developed a nickname: the “Paypal Mafia.” In European circles of VC-backed entrepreneurship today this terminology of “mafias” is being reproduced by influential alumni looking

⁶⁸⁶ Reid Hoffman and Ben Casnocha, *The Start-Up of You* (New York: Crown Business, 2012), 85; Sebastian Mallaby, *The Power Law: Venture Capital and the Making of the New Future* (New York, USA: Penguin Press, 2022), 198.

to imitate the tight networks of Silicon Valley.⁶⁸⁷ The contemporary culture of Silicon Valley is a global phenomenon. And everywhere this model is replicated, the emphasis is on an imbricated complex of social connection, place, and worldviews. Keith Rabois, formerly of Paypal, today an influential entrepreneur and investor (at Thiel's firm Founder's Fund), freely admits that it was almost impossible to get a job at Paypal without some personal connection to the company while simultaneously holding the firm up as a "perfect validation of merit" and of Silicon Valley's supposed meritocracy.⁶⁸⁸ Ignoring the affluent and influential networks of Stanford University, as well as their early connectedness to the networks of Silicon Valley through establishment VC firms such as Sequoia Capital, Rabois says "None of us had any connection to anyone important in Silicon Valley ... We went from complete misfits to the *establishment* in five years" (emphasis added).⁶⁸⁹ While Hoffman describes this serendipity of place and privilege as "good randomness," the coincidences seem far from coincidental.⁶⁹⁰

Both Thiel and Hoffman would go on to become prominent, vocal, and thus highly influential VCs, funding a new generation into being and promoting, on Thiel's part, monopoly, and on Hoffman's part, hypergrowth as the core means and ends of innovation through technology entrepreneurship and capitalism. They have influenced, and continue to influence, a whole generation of Silicon Valley acolytes around the

⁶⁸⁷ Hodgson, "How Europe's Unicorns Are Seeding the next Crop of Founders."

⁶⁸⁸ Emily Chang, *Brotopia: Breaking up the Boys' Club of Silicon Valley* (New York, NY: Portfolio/Penguin, 2018), 44, 49, 48.

⁶⁸⁹ Chang, *Brotopia*, 48–49.

⁶⁹⁰ Hoffman and Casnocha, *The Start-Up of You*, 149.

world, extolling their virtues as the most noble of all virtues, their worldviews as the most noble of all worldviews, and their problem-solution matrix as the most noble of all problem-solution matrices. Ultimately, however, these noble ideals are reserved for a new world nobility isolated in the figurative and literal spatial enclosures bestowed to a contemporary Silicon Valley aristocracy. This is the story of SVC—of the hierarchies inherent to a Stratified Venture Class, of the power-knowledge-networks of Social Venture Capital, of the ideals inherent to Silicon Valley Culture, and of global progress as synonymous with the Silicon Valley Consensus.

* * *

STANFORD REVIEW ALUMNI

Former staffers of the conservative newspaper are intertwined in a web of Silicon Valley influence.

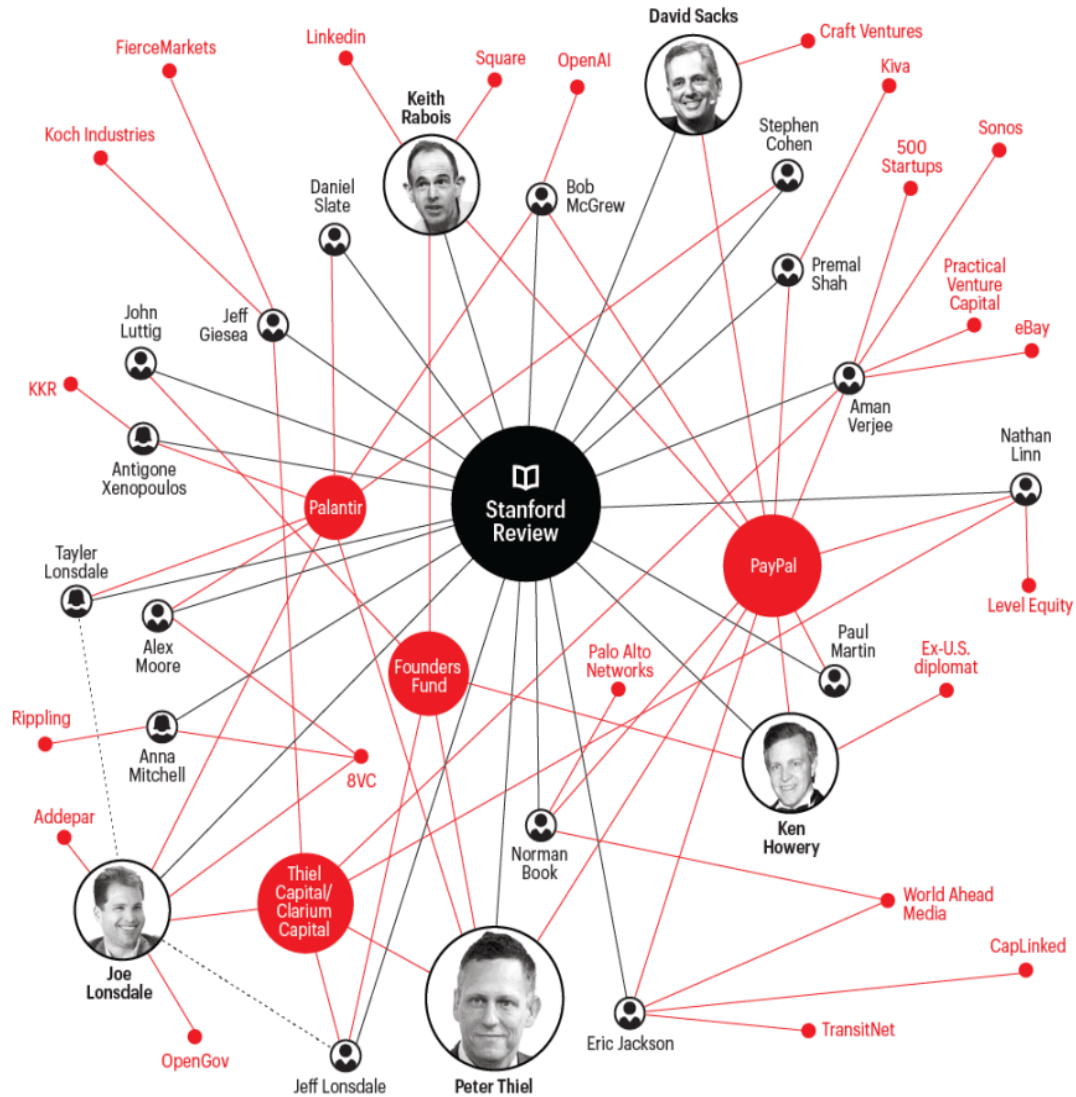


PHOTO CREDITS: JOHN LAMPARSKI/GETTY IMAGES (PETER THIEL); PAUL CHINN/SAN FRANCISCO CHRONICLE/GETTY IMAGES (DAVID SACKS); PATRICK T. FALLON/BLOOMBERG/GETTY IMAGES (JOE LONSDALE); DAVID PAUL MORRIS/BLOOMBERG/GETTY IMAGES (KEITH RABOIS); BENNETT RAGLIN/GETTY IMAGES/WORLD CHILDHOOD FOUNDATION (KEN HOWERY)

FORTUNE

Figure 3a.1 – Stanford Review Alumni (Fortune Magazine)⁶⁹¹

⁶⁹¹ Mathews, “Peter Thiel Launched a Student Newspaper 36 Years Ago. It Has Quietly Become One of the Surest Paths to Success in Silicon Valley.”

In Part I my underlying focus was the VC investment cycle and the process that pertains to it. In orienting the discussion around exit, the guiding theme was temporality and the thesis I presented was that the VC process produces valuable outcomes—first and foremost to investors—by means of contracted time. In my discussion I did not, however, address the underlying meaning of growth (G) in the general formula for capital. For analytical purposes, my discussion was intentionally limited to the surface layer of the VC process. Finance—which is closely tied to the temporal dimension of capitalism, especially to the temporal “fixes” that required to overcome crises of accumulation and falling rates of profit—is, however, only one part of the function of VC. Crucial to the distinctive role of VC within the broader system of capitalism is its function as a mediator of social networks and of information flows that we may describe as networks of expertise. In short, VC is not only about a unique organization of investment-related events in *time*, but also about the organization of subject-objects (as bearers of knowledge) in *space*. In Part II, then, to complement the focus on temporalities in Part I, the underlying focus of my discussion will be on the spatialities of VC.

To begin exploring these themes and ideas, this chapter—the first in a two-part argument—is broken into two sections. In the opening section, I return to the general formula for VC and take a first cut at expanding the meaning of growth (G). Showing that (a) accounts that would take product-market fit as the mechanism behind growth are inadequate in that they fail to address the dynamism of product development, and (b) that Human Capital (HC) and Market Space (MS) offer a better starting explanation

for the underlying process of growth in the VC mode of accumulation, I argue that the capture, circulation, and valorization of HC in VC operates in an analogous manner to assets in finance and that the ultimate goal is to increase the value-generating capacity of HC in a way that benefits those who would invest in it. Unlike financial assets, however, which operate solely on a temporal plane, the accumulation of HC entails the organization of subject-objects in space and therefore introduces a spatial dimension to the argument. I will here begin the process (continuing in Chapters 3b and 4) of articulating a theory of contracted space as a complement to the theory of contracted time (Part I).

In the second section, I revisit the discussion of equity and explore the class-making capacity of equity-ownership. This discussion has two parts, one pertaining to the wealth-making capacity of equity; the other to the social (venture) capital (or SVC) that accrues from the equity investment relationship. I argue that the equity basis of VC investment and the entrepreneurial cycle provides it with broad social legitimation, a key part of which is the fact that surplus value capture does not ostensibly take place because value returns to the workers and, as a result, workers in VC-backed companies are (at least theoretically) not exploited. Additionally, by making capitalists of employees, equity ownership adds a hegemonic dimension to VC's legitimizing effects, ensuring all producing agents have "skin in the game." Equity ownership stakes vary, however, based on one's position and contribution within an organization, and this means the equity-owning class produced by VC is a *stratified* venture class (SVC) whereby an internal hierarchy obtains. Moreover, when combined with the added

privileges and benefits of Social Venture Capital (SVC), it becomes apparent that this stratification takes place not on the basis of wealth, but also in terms of social status, further solidifying its basis as class relationship. SVC, in both meanings of the term, takes on an air of accessible exclusivity; it excludes some while leaving the door open for others—but only by invitation. In this regard it echoes the anti/establishment ambivalence between renewal and reproduction outlined in Chapter 2 and helps further explain the extreme lack of diversity in VC and VC-backed startups.

I: PRODUCTS AND HUMAN CAPITAL

Product-Market Fit: The Meaning of Growth?

In Part I, I presented a formal description of the VC process along with its broad stroke effects. I argued that the VC process produces an internal field of social necessity structured around contractual incentives and contracting time. It is a field oriented towards the goal of producing growth (G) and equity valorization (E') which, when seen from the external perspective of the VC process, produces a will to monopolization resulting in astronomical corporate valuations and an intensified concentration of capital as a result of corporate centralization (which in practice amounts monopoly or oligopoly formation). What has not yet been described, however, is *how* and *why* the VC process produces these effects and outcomes—that is, what the underlying meaning of growth as a product (G) and equity as value (E/E') pertain to.

In Part II (Chapters 3a, 3b, and 4), I will explore the meaning of growth (G); Part III (Chapters 5 and 6) will explore the meaning of equity as value (E/E').

To explore the meaning of growth (G) is to explore the *content* of VC investment—that is, what happens to the money invested (M) in equity (E) to produce the desired outcome (E'/M'). We know from the analysis given in Part I that the internal dynamics of growth cannot be the general formula for capital M—C—M'. Profit (M'), although a possible and frequent *eventual* outcome of VC investment, is negated by the VC process, VC investment being utilized precisely to avoid this cumbersome requirement in the short-term so as to maximize growth. Thus, as we saw, profits are substituted for growth, meaning growth must pertain to something other than profits. Moreover, it is a general feature of VC-backed investments that they do *not* produce, or aim to produce commodities (C). The term “commodity” implies competition and substitutability, whereas the value proposition of a startup is novelty and differentiation—the goal, we have seen, is to produce something that (at least initially) is not easily copied, and that can grow relatively unchallenged into an actual or almost monopoly.⁶⁹² Perplexing the situation even more, the VC process also allows in the

⁶⁹² “Red oceans represent all the industries in existence today. This is the known market space ... industry boundaries are defined and accepted and the competitive rules of the game are known ... companies try to outperform their rivals to grab a greater share of existing demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities.” W. Chan Kim and Renée Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* (Massachusetts, USA: Harvard Business Review Press, 2015), 4, 8; “Americans mythologize competition and credit it with saving us from socialist bread lines. Actually, capitalism and competition are opposites. Capitalism is premised on the accumulation of capital, but under perfect competition all profits get competed away. The lesson for entrepreneurs is clear: if you want to create and capture lasting value, don’t build an undifferentiated commodity business.” Peter Thiel and Blake Masters, *Zero to One: Notes on Startups, or How to Build the Future* (London, UK: Virgin Books, 2014), 24.

early stages for the possibility and likelihood that growth may proceed without revenue, products, or anything other than an idea. What, then, is the underlying *essential* mechanism of a VC investment's growth (G) if it is not the production of commodities and profit?

The literature on VC, both academic and professional, formal and informal, generally agrees that the goal for a VC-backed startup is to demonstrate “product-market fit”—the fabled holy grail of startup success.⁶⁹³ It is a formation that would appear more suited to our purpose given that products are both generally distinguished from commodities and also defined as differentiated, often novel, outputs. However, a problem immediately arises, for growth (G) implies *movement*, whereas product-market fit is an aspirational goal, a terminal endpoint. Product-market fit is a thing to be achieved (by sufficient approximation).⁶⁹⁴ And thus, if anything, product-market fit is a measure of success represented as valorized equity (E') rather than an explanation of growth (G).

The term product-market fit, although originally attributed to Andy Rachleff (Benchmark Capital), was popularized in a blog post written by Marc Andreessen

⁶⁹³ Eric Ries, in his bestselling book on startup business methodology, suggests that “engines of growth determine product / market fit.” The important feature of this claim is that growth logically *precedes* product-market fit suggesting, I will argue, that product-market fit is a goal or result of growth, rather than its substance. See Ries, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*, 219.

⁶⁹⁴ As I will elaborate in the coming chapters, product-market fit is arguably an unachievable goal given the market's basis in human desire and the inadequate fulfillment of that desire via product offerings motivated by the reductive exigencies of capitalist accumulation. Both products and markets are ideals on their own terms; together they form an unachievable ideal, an imaginary. This imaginary can only ever be approximately fulfilled. As Eric Ries puts it in *The Lean Startup*, “Startups must attempt to tune the engine from the baseline toward the ideal. This may take many attempts. After the startup has made all the micro changes and product optimizations it can to move its baseline toward the ideal, the company reaches a decision point ... pivot or persevere.” Ries, 118.

(a16z) entitled “The Only Thing that Matters.”⁶⁹⁵ Despite the term’s dyadic form, Andreessen, drawing on Rachleff’s original definition, suggests there are *three* core elements to a startup: team, product, and market, thus implying that the two *results*—product and market—are mediated by the third element, team.

Of the three elements, Andreessen argues that market (size) is the most important, for without it everything else is futile. It is, as such, a precondition for everything else. Surprisingly, however, he seems to relegate products—at least in the initial growth phase—to the bottom of the pile, with team forming the second most important element. The rationale is that if the market opportunity is big enough, then the initial product need only be okay; if the team is good (and teams, he notes, are not only highly malleable, but also the thing owners have most control over at the start), then they can progressively iterate the product to meet that market opportunity.⁶⁹⁶ Quoting Rachleff, Andreessen writes: “When a great team meets a lousy market, market wins. When a lousy team meets a great market, market wins. When a great team meets a great market, something special happens.”⁶⁹⁷

We have, then, a confluence of three elements underlying the startup value proposition, defined in order of importance: market, team, and product, and collectively these would appear to be the basis of growth. Market is the precondition, the untapped

⁶⁹⁵ Marc Andreessen, “Pmarchive · The Only Thing That Matters,” accessed April 12, 2022, https://fictivekin.github.io/pmarchive-jekyll/guide_to_startups_part4.

⁶⁹⁶ Note that one of the major value-adds a VC purports to offer, beyond monetary capital, is access to networks of veteran executives, engineers, administrators, partners, distribution channels, specialized banks, and so on.

⁶⁹⁷ Andreessen also notes that while great products might *create* large market opportunities, this is the exception rather than the rule. Andreessen, “Pmarchive · The Only Thing That Matters.”

opportunity, and products are the manifest attempt to meet this opportunity. Lying in between is the team that would bridge these elements, what we described in Chapter 1 as the (v)entrepreneur.⁶⁹⁸

Leaving aside Andreessen's absolute prioritization of the market, the hierarchy of team followed by product would appear broadly supported by both VC practitioners and academic research. VC scholarship based on empirical evidence, for instance, frequently asserts that team is the most important factor,⁶⁹⁹ while VCs and entrepreneurs themselves corroborate this sentiment, generally stating that even when pitching a VC it is not the product or idea that matters, but the way the product or idea is conceptualized and presented by the founding team.⁷⁰⁰ As VC Scott Kupor puts it:

“[M]uch of what an early VC is evaluating at this stage is the founder's idea maze: How did she get to the current product idea, incorporating which insights and market data to help inform her opinions? Assuming the product will in fact change many times over the course of discerning product-market fit, it's the process of the idea maze that is the better predictor of the founder's success than the actual product itself.”⁷⁰¹

⁶⁹⁸ Recall, the term entrepreneur, as I am using it, is a composite signifier denoting the founders of a startup, the startup itself, and to some degree the early, equity-owning employees of that startup.

⁶⁹⁹ See, for instance, Kaplan, Sensoy, and Strömberg, “Should Investors Bet on the Jockey or the Horse?”; Bernstein, Korteweg, and Laws, “Attracting Early-Stage Investors”; Gompers et al., “How Do Venture Capitalists Make Decisions?”; Hsu, “Experienced Entrepreneurial Founders, Organizational Capital, and Venture Capital Funding”; Franke et al., “Venture Capitalists' Evaluations of Start-Up Teams”; Esen, Dahl, and Sorenson, “Jockeys, Horses or Teams?”

⁷⁰⁰ The Balaji Srinivasan once taught a class at Stanford on startup engineering, and described the process of ideation and pitching as an “intellectual maze.” VC-Entrepreneur Keith Rabois, interviewed in Tamaseb, *Super Founders*, 221; “We invest more in people than a specific plan, because plans often change.” VC Vinod Khosla, quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 175; “As I heard in many interviews [with VCs, engineers, entrepreneurs], VCs invest in people, not in products.” Zukin, *The Innovation Complex*, 93.

⁷⁰¹ Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 49.

Thus, it is seemingly the entrepreneur's ability to *problem solve* that is valuable, the potential they demonstrate for future value production and capture. Arguably, it is because VCs are experienced and first-time founding teams are not that this matters so much. Often entrepreneurs are unable to see the value *growth* potential of an idea, whereas VCs, given that it is their business to drive investments to scale and massive returns, are the ones who will see its true potential (in terms of exchange value) and must therefore as a greater priority assess whether the team is capable of *maneuvering* to achieve it. Reid Hoffman, speaking about product pitch meetings once stated that if a VC asks an entrepreneur "When you get to a hundred engineers, are you worried about the company culture or excited?" the only correct answer is "A hundred? I want a thousand!" VCs, wedded to the VC process, think solely in terms of growth and equity valorization (as do ventpreneurs), whereas first-time entrepreneurs must prove themselves capable of adopting this mindset. They need to demonstrate ambition from the outset (or the capacity to do so).

In many cases, if the pitch is successful, VCs will take a chance, knowing that should the potential of the market and growth proposition not be realized, term sheet provisions allow them to change the executive team and to install experienced, proven (venturepreneurial) professionals.⁷⁰² But here we are presented with another puzzle:

⁷⁰² "If entrepreneurs do not have the skills required to manage the company you should bring in an experienced professional. And they should never settle for someone mediocre by telling themselves that the business is such a winner that it doesn't need the management and controls that other companies do." VC Arthur Rock, quoted in Krass, *The Book of Entrepreneurs' Wisdom: Classic Writings by Legendary Entrepreneurs*, 139.

team is supposedly the second most important element but is also the element frequently sacrificed if the success of an investment is not forthcoming.⁷⁰³

Apparently, it is the *potential* of the team that is more important. But potential for what? We know that, according to Andreessen, the market is a precondition for any venture, but as a precondition it is also a relatively constant presence. It is the precondition *to be met*. This is apparently true as it stands to reason that even the best idea and product in the world has no value if no-one *desires* it, if it has no utility. Yet desire is an elusive thing; to articulate and meet the demands of human desire in a perfect and final way is arguably impossible, always incomplete. Any object of fulfillment is prone to leave a remainder of lack that has not and cannot be fulfilled. Thus, a product (i.e., supply) can never entirely fulfill consumer desire (i.e., demand), but can only approximate that fulfillment in ever more creative and, one would hope, more fulfilling ways.⁷⁰⁴

To better approximate fulfillment of the market “constant”, therefore, products must be *iterated*—both in the initial development stages and also much later, after the product has become established and possesses a large consumer base. And it is this process of iteration that first gives us a clue to the meaning of growth (G), for iteration

⁷⁰³ Bains, *Venture Capital and the European Biotechnology Industry*, 102.

⁷⁰⁴ Productivist economists working in the tradition of Lacan attribute this incompleteness to “constitutive lack,” or to a subject’s alienation from the Real. Desire, they claim, emerges from an incessant human will to grasp for the impossible, to fill the lack created by a mythical object. No matter how much our immediate desires are met by this product or that, the satisfaction will be fleeting, and our desire will emerge anew. Capitalism, these thinkers argue, is well aware of this never-ending stream of desire and actively operates to exploit it. Every new moment of lack is met with a new corporate attempt to fulfill it with a product. Kapoor et al., *Global Libidinal Economy*, 50–51.

is, like growth, a *movement*.⁷⁰⁵ This capacity to iterate, and to do so quickly, depends on agents who are both full of ideas and at the same time flexible and able enough to change those ideas; a capacity often summed up in (some variation of) the Silicon Valley mantra “strong opinions, loosely held.”⁷⁰⁶ One reason for this pertains to the very nature of products as having *cycles*. As VC Scott Kuper puts it,

“Technology companies build products. Those products have product cycles ... what goes up often comes down, and a product’s growth when it gets to the end of a product cycle is no different. Thus, to maintain growth, technology companies need to either build or acquire new products to ride the wave of another product cycle.”⁷⁰⁷

What we see, therefore, is an explicit link between the necessity for continued growth and the ability to iterate products beyond their (otherwise ephemeral) lifecycle.

Thus it becomes clear why many VCs value team so highly: ideas and products come and go, but to limit the risk of an investment a VC needs to ensure that an entrepreneur’s supposedly great idea is not merely the serendipity of a “one-trick pony.” Citing Kuper again:

⁷⁰⁵ “Every new version of a product, every new feature, and every new marketing program is an attempt to improve this engine of growth.” Ries, *The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*, 21, 23.

⁷⁰⁶ This phrase is so commonly invoked it has become a cliché. See, for instance: Marc Andreessen in Ferriss, *Tools of Titans*, 173; Nat Turner in Tamaseb, *Super Founders*, 55; Chamath Palihapitiya in Griffin, *A Dozen Lessons for Entrepreneurs*, 241; and Kuper, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 49.

⁷⁰⁷ Kuper, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 259.

“most VCs assume that the product that is initially conceived of and pitched is not likely the product that will ultimately prevail ... only through iterative testing with real customers will the company get the feedback needed to build a truly breakthrough product ... it’s the process of the idea maze that is the better predictor of the founder’s success than the actual product idea itself ... you’ll often hear VCs say that they like founders who have strong opinions but ones that are weakly held, that is, the ability to incorporate compelling market data and allow it to evolve your product thinking ... [to] allow yourself to pivot.”⁷⁰⁸

For some, iteration is the process of experimentation by which (v)entrepreneurs can serendipitously discover the future—novelty being key to the value proposition VCs and (v)entrepreneurs seek out—for others, it is the means by which a product may evolve into a social necessity, into something users cannot live without.⁷⁰⁹ In either case, it is about value speculation, production, and capture, and, given the uncertainty inherent to this process, about long-term risk reduction. Therefore, VC is interested in the entrepreneurial team before the product, for the product is a moving target that must be changed and *renewed* in order to find an approximate “fit” with the underlying market constant.⁷¹⁰ The product, then, is in this context an example of what Kenneth

⁷⁰⁸ Kupor, 49.

⁷⁰⁹ Mallaby, *The Power Law*, 12; Eyal, *Hooked: How to Built Habit-Forming Products*, 194.

⁷¹⁰ To give an extreme example, Theranos, Elizabeth Holmes’ infamous startup that faked the development of a blood testing home device, arguably identified the right (massive) market, but got the product (and approach) entirely wrong. This has led to a general ambivalence in the VC community around similar—and, one would hope, more viable—product offerings chasing the same or similar market space. Companies such as Vital Biosciences, for instance, have now received VC funding in this market space as investors begin to realize that the market space for these products remains in need of fulfillment; it just needs to find the entrepreneur(s) who can deliver a working product. Kokalitcheva, “Axios Pro Rata.”

Arrow refers to as “Learning by Doing,” whereby “technical change in general can be ascribed to experience[,] ... the activity of production which gives rise to problems for which favorable responses are selected over time.”⁷¹¹ Where VC adds a differentiating factor to this process is not only in its ability to replace underperforming entrepreneurial agents, as was discussed in Chapter 1, but also in its ability to provide “runway” for pivoting; if an idea falls flat on its face, and an entrepreneur still has remaining capital, then that entrepreneur has the ability to “pivot” in a new direction.⁷¹² It has, as such, *time that remains* before exit, time in which the investment (but not the original idea) might yet be salvaged.⁷¹³ As one VC puts it, based on their analyses of a large dataset of VC-backed startups and unicorns, “completely change your idea if you must until you feel the market pulling the product out of you.”⁷¹⁴

Pivoting is but one example of a broader phenomenon in the VC process: the general acceptance of failure. Sometimes, failure is even presented as a badge of honor, as evidenced by the global “FailCon” conference for entrepreneurs who want to learn about and celebrate failure as a crucial part of the entrepreneurial process.⁷¹⁵ But

⁷¹¹ Arrow, “The Economic Implications of Learning by Doing,” 155.

⁷¹² This is exactly what happened with Slack, a productivity tool which IPO’d with a valuation close to \$20 billion dollars. The company was originally founded as a gaming company called Glitch. When that idea faltered, the co-founders used their remaining VC capital to focus on a productivity tool they had created. This is a more common than uncommon experience for VC-backed founders and has become almost an expected occurrence facilitated by the VC process. As Eric Ries puts it, “a startup’s runway is the amount of pivots it can still make.” Ries, *The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*, 160; Tamaseb, *Super Founders*, 87–88.

⁷¹³ That it is the investment that needs to be saved, and not the product, is a major indicator that the substance of growth is *not*, as might be first presumed, the product, but the entrepreneurial team itself.

⁷¹⁴ Tamaseb, *Super Founders*.

⁷¹⁵ See <https://thefailcon.com/>. Also, Carroll, “Silicon Valley’s Culture of Failure ... and ‘the Walking Dead’ It Leaves Behind.”

pivoting pertains specifically to failure *within* a VC investment, while the entrepreneurial introduced in Chapter 1 allows for (in some but not all cases) failure *between* investments. From a VC investment perspective, the value of failure comes back to some variation of the oft-invoked VC wisdom “ideas are easy; execution is hard.”⁷¹⁶ When VCs have (v)entrepreneurs pitch to them who have failed in the past, but supposedly learned from that failure, they see an opportunity that may in fact be a better investment than someone who has either never been through the VC process before, or who “succeeded by sheer luck.”⁷¹⁷ So uncertain and novel are many of the ventures that entrepreneurs pursue, that VCs recognize venture failure is not in itself entrepreneurial failure (recall, around 80-90 percent of portfolio investments are expected to fail). If the execution was good, then trust has been secured that the entrepreneur can succeed with a different set of ideas and iterating products. As the legendary investor George Gilder once put it:

"Unless failure is possible, no learning is possible ... in the realm of ideas, unless falsification is possible, learning isn't possible. ... tolerance of failure is absolutely critical to the success of Silicon Valley ... The successful people have a lot more failures than the failures do."⁷¹⁸

⁷¹⁶ For example, see John Doerr and Sam Altman quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 48, 102; Also, note that Schumpeter defines entrepreneurship as "getting things done" in specific distinction to invention. It could be argued that this is essentially a statement to the same effect. Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition*, 132.

⁷¹⁷ Steve Perlman, quoted in Livingstone, *Founders at Work*, 187.

⁷¹⁸ Quoted in Saxenian, *Regional Advantage*, 112.

In a bizarre way, then, failure can foster trust, intensify growth, and at the same time reduce risk. And the data supports this. By one estimate, entrepreneurs who have failures under their belt at 1.6 to 3.3 times more likely to build a unicorn in a succeeding attempt.⁷¹⁹ But how is this so? In the above quote, Gilder invokes the concept of falsification, an implicit reference to the work of Karl Popper who popularized the term in his book *The Logic of Scientific Discovery*.⁷²⁰ In an essay entitled “Flexible Recycling and High Technology Entrepreneurship,” part of the edited collection *Understanding Silicon Valley*, Homa Bahrami and Stuart Evans make this link explicit, arguing that

“‘flexible recycling’ is enhanced in the absence of the typical stigma associated with organizational failure. Indeed the high failure rate may be more of an asset, in that it increases the rates of experimentation and speed of recycling, and, in a Popperian sense ... entrepreneurs learn, just as scientists do, much from failed experiments. Since organizational death, in and of itself, is not perceived as a finite expression of failure, entrepreneurs are able to entertain what would normally be considered ‘outlandish’ risks.”⁷²¹

But how, we may wonder, does this *reduce* risk? One possible explanation is that product or firm failure (i.e., loss) may be hedged against the net gain of (v)entrepreneurial talent. As Ali Tamaseb puts it: “the value of a super founder is the

⁷¹⁹ Tamaseb, *Super Founders*, 69.

⁷²⁰ Popper, *The Logic of Scientific Discovery*.

⁷²¹ Bahrami and Evans, “Flexible Recycling and High-Technology Entrepreneurship,” 187.

ability to scale [i.e., grow] a company to a certain size and outcome and do it more than once.”⁷²²

What is put to work in the service of growth, then, are not predefined products, but (v)entrepreneurial agents capable of repeatedly producing and iterating upon product ideas, of *executing* growth in the pursuit of equity valorization. VC, therefore, invests in *people* capable of producing value—and not just within a single investment, but *across* investments—people we will formally describe as Human Capital (HC). Put differently, VC “captures” HC and puts it to work in the pursuit of growth.

Human Capital: Capture, Circulation, Valorization

“We often lose sight of the fact that a startup is not just about a product, a technological breakthrough, or even a brilliant idea. A startup is greater than the sum of its parts; it is an acutely human enterprise.”⁷²³

Eric Ries, *The Lean Startup*, p.28

By suggesting that VC captures HC as an underlying means of growth (G) leading to equity valorization (E'), I am making two additional, implicit claims:

⁷²² The topic of uncertainty, failure, testing, and discovery will be taken up in more detail in Chapter 6. Tamaseb, *Super Founders*, 61.

⁷²³ Ries, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*, 28.

1. the acquisition of HC implies the ongoing production of ideas, products, firms and so forth (i.e., HC is a “wellspring”), and;
2. HC is a capability and thus a source of value, and it may even itself be valorized.

It is thus the capacity of human beings to act as the means of production that gives rise to the term “human capital” in my description. But why not use the term “labor”? Here we come across a peculiarity in the relationship of (v)entrepreneurs in relation to the labor process: because (v)entrepreneurs (including both founders and early employees) own equity as per the general formula for VC, they obtain an ambivalent status as both workers and capitalists.⁷²⁴ Furthermore, because the product of their work, growth (G), produces value represented by the equity they own (E/E’), at least part of the value their work produces returns back to them. Thus, while there is undoubtedly *some* surplus value extracted and captured by agents who are not part of the labor process (the GPs and LPs), the other workers involved in the process are not strictly laborers who produce subsistence value and then give all remaining value to “the capitalist” as per Marxian value theory, but are rather worker-owners who produce value for themselves. If we are generous (and in some cases this would appear to be true) we could even say

⁷²⁴ This is not the same as arguments about the rise of the managerial class, and the supposed “problem” for Marian theory that arose with managerial employees crossing (symbolically) over to the side of capital (for an exposition of this see: Lordon, *Willing Slaves of Capital: Spinoza and Marx on Desire*, 148); It is also not the same as Marx's sarcastic dismissal of capitalists who consider themselves workers as well as capitalists (see Marx, *Capital*, 299-300). There is instead in the equity-owning entrepreneur an actual ambivalence in that the entrepreneur *really does* work and at the same time *really does* (partially) own the means of production.

that the GPs are also workers,⁷²⁵ meaning only the LPs remain as formal capitalists in the sense of extracting surplus value without engaging in any form of productive labor. In theory, little to no exploitation should be taking place. What is highly apparent, however, is that because not everyone owns the same amount of equity, and not everyone does the same amount of work in terms of production, the balance of this ambivalence—the ratio of worker/capitalist status—varies across the stakeholder pool to produce a hierarchy.⁷²⁶ This is a point to which we will return.

Based on the discussion so far, we are now ready to attempt a formalization of the growth process as it pertains to the general formula for VC. This is shown in Figure 3a.2.

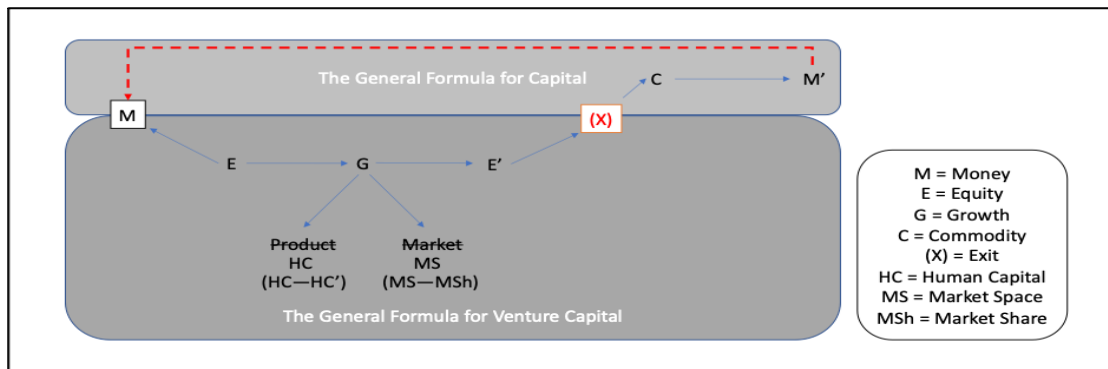


Figure 3a.2 – The General Formula for Venture Capital (HC and MS) (Source: Author)

⁷²⁵ As former engineers, scientists, and entrepreneurs, many GPs are willing to “roll their sleeves up” and to get involved in the operations of the startups they fund. If they do not do this, then they at least help with strategy and general business management. It is a distinctive feature of the VC model that the GPs are typically not passive observers (like other investors) but assist startups as they learn the figurative entrepreneurial ropes. That said, this is by no means a universal trait—some passive VCs undoubtedly exist.

⁷²⁶ Early employees, for instance, will possess less equity than founders (or the option to purchase equity amounting to less than that possessed by founders. Whether founders or VCs possess more equity varies.

As can be seen, there are two internally moving elements that comprise the growth function (G) of the VC process, HC (Human Capital) and Market Space (MS). My general claim is that in both cases, what is at stake is the capture of various agents' desire (producers and consumers respectively). In this chapter and the next I will unpack the HC element; in Chapter 4 I will do the same for MS.

The term "human capital" was first popularized by Gary Becker in his 1964 book of the same name.⁷²⁷ It can be conceptualized in two ways: as (1) *general* human capital, pertaining to generalized life experiences (including some forms of education); and (2) *specific* human capital, obtained from experience and education relating to specialized activities.⁷²⁸ Pierre Bourdieu, in his influential writings on social and cultural capital, critiques Becker's use of the concept, noting that "despite humanistic connotations [Becker's definition of human capital] does not move beyond economism and ignores that scholastic yield from educational action depends on cultural capital previously invested by the family."⁷²⁹ That is, while Bourdieu accepts that both cultural and social capital may be convertible into economic capital on certain conditions (and thus convertible into money or institutionalized as private property), he argues that Becker's conceptualization of human capital fails to taxonomize itself adequately enough to account for how non-economic factors combine with or

⁷²⁷ Becker, *Human Capital*.

⁷²⁸ De Clercq and Dimov, "Venture Capital Firms: A Human Capital Perspective," 102.

⁷²⁹ "[T]hey are unaware that ability or talent is itself the product of an investment of time and cultural capital." See Bourdieu, "The Forms of Capital," 244.

contribute to economic outcomes in *differential* ways that produce class relations. Thus, while Becker acknowledges that “expenditures” on education, training, medical care, and so forth, are both continuous with and at the same time discrete in relation to the capital concept, his theoretical-ideological framework for decoding the human capital concept is too monolithic to note the circularity that input “expenditures” imply for economic outcomes, nor to account for various ways that expenditures may lead to social status outcomes that themselves produce opportunities for economic profit—social status itself being a crucial component (along with economic status) of class relations in society.⁷³⁰

Nevertheless, Becker’s reduction of the concept is largely in line with how the term has been adopted and deployed in VC practitioner and scholarly discourses. Deloitte’s influential “VC Human Capital Survey,” for instance, which is run in conjunction with the NVCA, explicitly invokes “human capital” for its irregularly released survey on diversity, equity, and inclusion (DEI) across the industry.⁷³¹ Additionally, numerous scholarly articles across a range of journals have invoked the term to make sense of the VC and VC-backed entrepreneurial processes.⁷³² The point

⁷³⁰ To grossly simplify, we might say that human capital in Becker’s hands largely amounts to money in/money out with education as a mediating element. In Bourdieu’s richer account we are able to see how non-monetary investments of culturalization and sociality, sometimes passing over generations, can produce, reproduce, and reinforce monetary outcomes unrelated to official educational or institutional certifications, stemming instead from being an accepted and recognized member of a social or cultural community. Becker, *Human Capital*, 16.

⁷³¹ Deloitte, NVCA, and Venture Forward, “VC Human Capital Survey.”

⁷³² See, for example: Cooper, Gimeno-Gascon, and Woo, “Initial Human and Financial Capital as Predictors of New Venture Performance”; Smart, “Management Assessment Methods in Venture Capital”; Colombo and Grilli, “On Growth Drivers of High-Tech Start-Ups: Exploring the Role of Founders’ Human Capital and Venture Capital”; Baum and Silverman, “Picking Winners or Building Them? Alliance, Intellectual and Human Capital as Selection Criteria in Venture Financing and Performance of Biotechnology Startups”; Gimeno et al., “Survival of the Fittest?”; De Clercq and

concerning us here is that despite its sanitized appearance in VC-related discourses, multiple forms of extra-economic capital (e.g., symbolic, cultural, social, and intellectual capital) may potentially be imbricated in the complex signifier human capital (HC), despite its ostensibly more simplified presentation as little more than an alternative medium of economic investment.

In terms of the VC process and value growth (G—E'), we can think about HC and its valorization in two ways or dimensions. The first of these is additive. This would pertain to the introduction of unknown HC (i.e., HC_{ent}) to the VC process via the establishment of a VC-Entrepreneur relationship codified in the signing of a term sheet (see Chapter 1), and known HC (i.e., HC_{ventrepreneur}) as part of the value-add services provided by VC, specifically the access a capable VC should be able to provide to the so-called "venture network."⁷³³ Additionally, the ability to *attract* HC, to sell a vision and convince HC that a venture is worthwhile is, to investors, one of the most prized attributes a ventreprenuer can possess, especially given its contribution to growth.⁷³⁴

We can formalize this additive valorization

Dimov, "Venture Capital Firms: A Human Capital Perspective"; Carter et al., "Women Entrepreneurs Who Break through to Equity Financing."

⁷³³ Ontologically, I would argue that multiple venture networks exist which are brought into variegated aggregations through various formal and informal syndications between distinct VCs (and their trusted agents). Commentators such as Mallaby, however, tend to reduce this to the singular, suggesting that there is but one "venture network." See Mallaby, *The Power Law*, 81.

⁷³⁴ For example: "As soon as we got funding, we started hiring aggressively, and we built this app ... which was getting pretty good growth." Max Levchin, co-founder of PayPal, quoted in Livingstone, *Founders at Work*, 5; "[F]ounders see a vision, but then they manage to attract a set of world-class employees to help them create that vision," entrepreneur Steve Blank, quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 15; "The principal question that we focus on before an investment is the quality of the person we're going to work with ... the most obvious [attribute] ... is the ability to attract great people," Peter Fenton (VC at Benchmark) quoted in Griffin, 109; "VCs are trying to determine whether this founder will be able to create a compelling story around the company mission in order to attract great engineers, executives, sales and marketing people ... the founder has to be able

$$HC_1 + HC_2 + HC_3 \dots HC_i = HC'$$

The second dimension of HC valorization may be described as transformative. Along this dimension we are referring to the elevation of existing HC within the pool, via the mentoring, governance, and network-access afforded to members (both new and existing) of the broader VC-HC community. This was, to some extent, the process explored in Chapter 1, whereby the embedded entrepreneur, driven by structural and processual incentives, is inculcated with ventreprenurial norms (Figure 1.7). We may, therefore, formalize transformative valorization

$$HC_{ent} \rightarrow HC_{ventreprenur} = HC'$$

Given that knowledge both exists within the pre-existing fabric of the VC process and its networks (i.e., existing, ventreprenurial HC, including VCs themselves) and is also introduced by the addition of new HC (i.e., entrepreneurs),⁷³⁵ we may conceptualize this as a process of renewal within a system of reproduction, whereby known and unknown HC come together. This can be formalized

to attract customers ... partners ... and, eventually, other VCs ... Will the founder be able to explain her vision in a way that causes others to want to join her on this mission?" Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 47.

⁷³⁵ This has been described in VC scholarship as coaching and scouting respectively. See Baum and Silverman, "Picking Winners or Building Them? Alliance, Intellectual and Human Capital as Selection Criteria in Venture Financing and Performance of Biotechnology Startups"; it may also be likened to Marx's description of the real and formal subsumption of labor under capital. In this instance, however, it would be the real and formal subsumption of HC under VC. See Marx, *Capital*, 1019–38.

$$HC' + HC = HC'',^{736}$$

Returning to the distinction between general versus specific HC, we may argue that the alchemy of known and unknown knowledge consists of both life experiences (upbringing, general education, socialization, acculturation) and technical knowledge acquired through formal or informal means. Certain norms within the established fabric of VC networks are reproduced, and while adherence to these norms may be characterized as aptitudes pertaining to general HC, their specificity to the VC process, as outlined in Part I, place them also in the category of specific HC. In general discourse, these norms, which we might associate with the “execution” of (v)entrepreneurial ideas, would be considered non-technological even though they may relate to sophisticated and technical methods of organizational management.⁷³⁷ Knowledge of high-technology, on the other hand, often the basis of (v)entrepreneurial ideas to be executed upon, would be considered technological. The acquisition and growth of HC patently depends on a confluence of what is to be considered technological and non-technological knowledge, and yet, as was briefly touched upon in Chapter 2, business models, especially those facilitated by the unique facilities of the VC process, can be not only highly technical, demanding specific HC capabilities,

⁷³⁶ HC' here pertains to the result of either additive or transformative HC valorization.

⁷³⁷ Refer to the quote by Peter Drucker in the epigram of this chapter for an example of this.

but also as *or more* important than technological knowledge in growing a VC-backed investment.⁷³⁸

Thus, while it may be objected that what truly contributes to spectacular equity valorizations given to VC-backed investments in the general formula for VC is high-technology rather than growth, HC, MS, products, or firms—and, indeed, it is hard to get away from the intuition that VC and high-technology are symbiotic—what instead becomes apparent is that VC valuations are driven by a broader definition of “technology,” one that more appropriately pertains to the acquisition of technical “know-how,” the knowledge embedded within HC resources.⁷³⁹ This accords with definitions given both within and beyond VC practitioner and scholarly discourses. Critical scholar of innovation Benoit Godin, for instance, defines technology as a “good that embodies knowledge,”⁷⁴⁰ economics and technology scholar Giovanni Dosi “as a set of pieces of knowledge, both directly ‘practical’ ... and ‘theoretical’ ... know-how, methods, procedures, experiences of successes and failures and also, of course, physical devices and equipment,”⁷⁴¹ and, to give an example from the world of VC, Peter Thiel

⁷³⁸ See Doganova and Muniesa, “Capitalization Devices: Business Models and the Renewal of Markets.”

⁷³⁹ One way of thinking about this is to consider the following: if a startup founder (HC resource) is discovered to have developed the technology underlying their startup business while working for another (e.g. their former) employer, then that technology is not owned by the founder and their new firm, but by the other (former) employer. This can create significant issues around intellectual property ownership, and can become a deal-breaker during M&A exits. See Bagley and Dauchy, *The Entrepreneur’s Guide to Law and Strategy*, 669.

⁷⁴⁰ Godin, *The Idea of Technological Innovation*, 10.

⁷⁴¹ Supporting the argument concerning additive (and to an extent transformative) HC valorization, Dosi also argues that “a ‘disembodied’ part of technology consists of particular expertise, experience of past attempts and past technological solutions, together with the knowledge and the achievements of the ‘state of the art.’” Dosi, “Technological Paradigms and Technological Trajectories,” 151–52.

says that “[p]roperly understood, any new and better way of doing things is technology.”⁷⁴² The point to underline is that technology is *applied* knowledge, and is material just as much to the extent that it embodies practices as it is to the commonly biased association with physical (or digital) objects.⁷⁴³ Taking a somewhat different approach, David Harvey, invoking Marx, argues that

“Technology is the material form of the labour process through which the underlying forces and relations of production are expressed. To equate technology with productive forces would be like equating money, the material form of value, with value itself, or equating concrete with abstract labour.”⁷⁴⁴

We know that HC is not strictly labor, yet I want to claim that all of the above definitions support the same notion: HC as embodied and applied knowledge is the means to technology, which is in turn commonly associated with the VC value proposition.⁷⁴⁵ Instead of placing technology itself as the source of economic growth and change, however, I am giving ontological precedence to the agents whose material action produces the applied and objectified knowledge we refer to as “technology.”

⁷⁴² Thiel goes on to make the link between technology and VC-backed HC explicit, arguing that “New technology tends to come from new ventures—startups.” See Thiel and Masters, *Zero to One*, 8, 10.

⁷⁴³ Technically speaking, digital objects depend on physical objects (e.g., machinery, computer hardware) as a vehicle of instantiation.

⁷⁴⁴ Harvey, *The Limits to Capital*, 100.

⁷⁴⁵ One way of conceptualizing this might be to compare HC with Marx’s insistence upon the abstraction labor *power* over labor itself. Labor is the material act itself, whereas the value-producing commodity that capitalists consume is labor *power* in the pursuit of commodity production. HC operates in a similar way—it is a commodity consumed by the VC process in the pursuit of growth (G) as a product.

Consider, for example, the case of OpenAI, one of the highest valued private, VC-backed, firms in the world today.⁷⁴⁶ When their CEO Sam Altman was temporarily fired in 2023, 738 out of around 770 of the employees threatened to resign in protest.⁷⁴⁷ OpenAI is undoubtedly a high-technology company, it is perhaps the epitome of high-technology. And yet, the firm is nothing without its HC. In fact, because the technology (generative artificial intelligence) is so “high,” its operation and development borders on the esoteric. Had those employees resigned, there would no longer *be* an OpenAI. It is no accident that their only real potential competitor, another VC-backed firm called Anthropic, was founded by two of OpenAI’s former employees, Daniela and Dario Amodei.⁷⁴⁸

Using HC in place of technology as an analytical explanation for growth allows us to account for the fact that it is not always the case that VC-backed ventures develop or invent a technology themselves.⁷⁴⁹ More often than might be assumed, a VC-backed firm will take an existing technology and either productize it in a unique way or

⁷⁴⁶ According to Pitchbook, the company has a post-money valuation of \$100 billion, having raised just over \$20 billion in private capital. “Pitchbook Data.” Accessed February 27, 2024.

⁷⁴⁷ Knight and Levy, “OpenAI Staff Threaten to Quit Unless Board Resigns.”

⁷⁴⁸ According to Pitchbook, Anthropic has a post-money valuation of \$20 billion, having raised \$7 billion in private capital. They thus trail OpenAI by a significant margin and yet at the same time have, by any objective measure, an immensely high valuation. Anthropic also has only around 300 employees (HC) compared to OpenAI’s 1000 plus. After Anthropic, the numbers drop precipitously. Cohere is valued at \$2.95 billion, Stability AI at \$1 billion, and so on. No-one, at the time of writing, is even close to OpenAI, and OpenAI’s lead is only increasing. “Pitchbook Data.” Accessed February 27, 2024.

⁷⁴⁹ “Many billion-dollar companies are famously built on recycled ideas. At least eight companies tried to build a search engine before Google, with various levels of success and failure. Social Networks existed a decade before Facebook, and companies had offered online storage before Dropbox. Instacart, the grocery delivery app, succeeded in 2012 by doing something similar to what Webvan—a startup with a similar idea that failed during the doc-com bust—tried to do in the year 2000.” Tamaseb, *Super Founders*, 144.

productize it a non-unique way with a unique business model. In some cases, both the product and business model are non-unique and the only differentiation is more or less capital.⁷⁵⁰ By using HC in place of technology, therefore, I am also invoking *innovation*, which we know pertains to the discovery or creation, and pursuit of commercial opportunities for inventions (e.g., technologies; applied forms of knowledge).⁷⁵¹ The goal for VC and VC-backed firms is to apply technical know-how to material practice more quickly, and more efficiently than (current or future) competitors, to create a competitive advantage over an untapped entrepreneurial opportunity by being first to climb the practical and theoretical learning curve.⁷⁵² It is about mobilizing knowledge in a commercially applied way, which is achieved by capturing HC.⁷⁵³

The commonplace assumption that technological change is a means to economic growth, while not necessarily inaccurate, is thus given a certain nuance by the claim that technological change itself is in large part (and given the evidence of VC's contribution to innovation and patents) a result of HC capture as a means of

⁷⁵⁰ This was the case, for instance, with Sidecar, an early competitor to Uber and Lyft. CEO Sunil Paul described the situation: "We were unable to compete against Uber, a company that raised more capital than any other in history and is infamous for its anti-competitive behavior ... The legacy of Sidecar is that we out-innovated Uber but still failed to win the market. We failed—for the most part—because Uber is willing to win at any cost and they have practically limitless capital to do it." Tamaseb, 159.

⁷⁵¹ "[Innovation is] the application of the invention or new technique in industry." Godin, *The Idea of Technological Innovation*, 70.

⁷⁵² Hoffman and Yeh, *Blitzscaling*, 124.

⁷⁵³ I am employing the term "capture" rather than "acquire," both here and elsewhere, because the equity basis of HC acquisition implies incentives that make it difficult for HC to leave a venture without penalty. This was discussed at length in Chapter 1, but it also offers an explanation for why VCs insist upon adequate Employee Option Pools (EOPs). The early employees—engineers, scientists, subject-matter experts—are the firm's human capital and the basis of its technological advantage. They are, in part, the substance of both value and growth in a VC investment. For a description of EOPs, see Feld and Mendelson, *Venture Deals*, 130.

venture growth in the VC process.⁷⁵⁴ Venture growth and economic growth are perceived to be tethered through the mediation of HC and capital, and most commentators on this topic tend to agree that the rate or intensity of growth is correlated to the quality—whatever that might mean—of HC in both its general and specific capacities.⁷⁵⁵

By suggesting a relation between growth and HC both within and outside of the VC process, I am invoking a temporal assumption about that relation. That is, an increase in the quality or quantity of HC over time is both a cause and effect of growth in the VC process and, if the evidence is to be believed, in broader economic growth

⁷⁵⁴ For a complex example of the argument concerning technological change and economic growth, see Aghion and Howitt, *The Economics of Growth*. The causal relation between VC and innovation has long been debated. Arguably, this debate begins in 1976, when the NVCA lobbied the US government with a white paper entitled *Emerging Companies—An Endangered Species*. The general theme was that innovation was so essential to economic growth, and VC such an important engine for the innovation process, that capital gains tax cuts incentivizing VC investment were inextricably tied to America's economic future. The US government seemingly agreed, implementing the said tax cuts a short while after. See O'Mara, *The Code*, 163; Rothstein, "Toward a Discursive Approach to Growth Models," 1220, 1224; Lerner and Kortum have since shown that changes to the structure of VC financing resulting from this lobbying led to significant growth in the patenting of industrial innovations, while other researchers have suggested that patents filed by VC-backed startups tend to be "of higher quality and economic importance than average patents" when measured in terms of citations. See Kortum and Lerner, "Assessing the Contribution of Venture Capital to Innovation"; Howell et al., "Financial Distancing: How Venture Capital Follows The Economy Down and Curtails Innovation," 4.

⁷⁵⁵ "[G]rowth is the goal, and it comes through having innovation. Innovation comes through having great engineers," legendary Silicon Valley business coach Bill Campbell, quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 20; "all countries which have managed persistent growth in income have also had large increases in the education and training of their labor forces," Becker, *Human Capital*, 24; Cooper et al, argue that general HC in particular is more useful for survival and growth than specific HC, see Cooper, Gimeno-Gascon, and Woo, "Initial Human and Financial Capital as Predictors of New Venture Performance"; "entrepreneurs with strong human capital qualities, such as management experience and more education, are more aggressive in their growth projections. They are also more likely to achieve projected results," De Clercq and Dimov, "Venture Capital Firms: A Human Capital Perspective," 102; Reid Hoffman, speaking at the TechCrunch Disrupt conference in 2021 explained to his audience that while there is "a ton of capital" floating around, what is more valuable is the experience of building at scale. Hoffman, "Reiding into the Masters of Scale."

outcomes. Chapter 1 dealt at length with the temporal dimensions of (v)entrepreneurial HC, but what of other actors? VCs, engineers, scientists, attorneys, and so forth.

The first point to note, is that engineers and scientists often become (or enter the VC process as potential) entrepreneurs, who in turn have the potential to become ventpreneurs. Following from this, ventpreneurs have the potential to become VCs. Arguably, as was suggested in Chapter 1, because VC is a form of entrepreneurship with a logical dependence on (v)entrepreneurial action, VCs are also ventpreneurial agents, albeit with different incentives.⁷⁵⁶ We know, however, that no matter how much these incentives diverge or come into conflict with one another, they have a common basis: equity. And because equity is an asset, it has a temporal structure grounded in speculation.⁷⁵⁷ It is in the same manner that we may consider HC resources as assets to the VC process, as an investment *over time*.⁷⁵⁸

And yet, HC, unlike financial assets such as equity, pertains to the organization and circulation of object-subjects in *space*. On the one hand, the spatiality of HC pertains to the literal act of going into places (*topoi*), such as universities or pitch days hosted by startup accelerators and incubators and attempting to seduce potential-HC into the ventpreneurial fold (as many VCs admit they do).⁷⁵⁹ In these scenarios, the

⁷⁵⁶ “In the tech world, a successful engineer is also a potential future venture capitalist, and this dual identity has expanded significantly in recent years.” Reich, Sahami, and Weinstein, *System Error: Where Big Tech Went Wrong and What We Can Do About It*, 146; Research suggests that a significant portion of VC firm partners have prior startup experience as former entrepreneurs, see De Clercq and Dimov, “Venture Capital Firms: A Human Capital Perspective,” 106.

⁷⁵⁷ Konings, *Capital and Time*; Adkins, Cooper, and Konings, *The Asset Economy*, 17.

⁷⁵⁸ Both additive and transformative HC valorization has a temporal structure.

⁷⁵⁹ “We don’t wait for proposals ... [w]e crawl through labs and universities, sponsor challenges, and network like crazy ... we’re looking for extraordinary entrepreneurs who can shepherd ideas from basic science to commercial success and even to planetary scale.” Doerr, *Speed & Scale*, 237.

goal is to organize bodies in space so that VCs and entrepreneurs can make an appeal to each other's interests. But a secondary effect is to encourage the clustering of HC around certain VC-rich centers such as Silicon Valley, both before, during, and sometimes after engagement with the VC process. On the other hand, the spatiality of HC concerns the dispersion of applied knowledge (i.e., technology) emanating *from* these clustered milieus of ventreprenurial incentives and their equity basis. That is, VC draws bodies together into specific places, and then spreads ideas—presented as the wisdom of genius—from those places out to the world at large, more often than not on a global scale.⁷⁶⁰ Thus, to complement the notion of contracted time addressed in Part I, we begin to see a concomitant contraction of space, both in terms of bodies contracted in towards specific places (*topoi*), and also in terms of ideas spreading globally in a monopolized form, contracting alternative visions for social interaction into singular (or shortlisted) offerings. A competition of ideas is replaced with a monopoly of ideas emanating from discrete and spatially concentrated clusters, generally justified by the claim that such clusters are the loci of genius.⁷⁶¹

From a VC perspective, the value of having HC arranged in spatial formations tied to place relates to the speed and ease of HC circulation. While circulation itself does not produce value, a concentration of HC combined with friction-free (e.g., no

⁷⁶⁰ This is a consequence of the will to monopolization discussed in Chapter 2. The theme shall be further developed in Chapter 4.

⁷⁶¹ For an unabashed presentation of this position, see Fisher, *Valley of Genius: The Uncensored History of Silicon Valley*; Anthropologist Karen Ho writes similarly of "smartness" in Wall Street finance: "Smartness leads to market dominance, not only because of assumptions about talent and credibility, but also through the premise that smartness is spatial, that it should rightly spread, colonize, and necessarily manifest as the natural determinant and arbiter of global market leadership." See Ho, *Liquidated*, 69.

compete) employment policies facilitates a liquidity of HC that intensifies and accelerates the generation of ideas, the application of knowledge, and the iteration of products.⁷⁶² Or, put differently, the rapid circulation of HC expedites venture growth (G). We can begin to see, in part, how the VC process is able to slow down realization and yet intensify outcomes—by increasing the circulation of HC and its outputs in space. And by collecting HC, even through failed ventures, VC is afforded to what might be referred to as a “reserve army” of HC—a pool of potential engineers, scientists, attorneys, executives, and so on—who can be quickly called upon to staff new, fast-growing VC-backed startups.⁷⁶³

For circulation to be truly effective, however, it is not enough to simply recycle the same HC with the same or similar ideas—new HC must enter the mix to shake up the alchemy of known and unknown entities, new and existing knowledge, general and specific HC. This takes us back to the formalization of additive and transformative HC valorization and the way in which they complement one another. Without renewal through additive HC valorization, reproduction—which, given the unchanging incentives structures of the VC process includes transformative HC valorization—will eventually lead to diminishing returns. When measuring HC—if such a thing is even possible—it is generally understood that the difference between 0 and 5 years of

⁷⁶² On circulation and value, consider the words of Marx: “circulation creates no surplus value ... something must take place in the background which is not visible in the circulation itself ... capital must arise both in and not in circulation.” Marx, *Capital*, 266, 268; On HC liquidity, Klinger-Vidra quotes a policymaker in Taipei as saying “Silicon Valley is a good example of liquid human capital and forming business ventures very quickly. In Taiwan we don't have liquidity of human capital talent like in Silicon Valley.” Klinger-Vidra, *The Venture Capital State: The Silicon Valley Model in East Asia*, 82.

⁷⁶³ Kenney, “Introduction,” 6.

experience is far more significant than the difference between 20 and 25 years.⁷⁶⁴ Thus for maximum growth and valorization, a rapid supply of “new” HC is necessary, and yet norms must be sustained and inculcated through what we might refer to as a ventreprenurial apprenticeship.⁷⁶⁵

II: SVC AS THE EQUITY-OWNING CLASS

In the previous section I argued that the common basis of VC-backed HC is equity ownership. In this section I want to extend that argument by claiming that equity ownership mediated by VC is producing a set of new class arrangements, both in relation to itself and in relation to society as a whole. To frame the presentation of my argument, I wish to start with the assertion that class positions are (re)produced on the basis of two factors: (1) wealth; and (2) social status, or role.⁷⁶⁶ I will address the former in the first part of this section and the latter in the second.

⁷⁶⁴ De Clercq and Dimov, “Venture Capital Firms: A Human Capital Perspective,” 103.

⁷⁶⁵ “I strongly believe that venture capital is a business that requires an apprenticeship ... you can’t teach it, one has to experience venture capital situations and learn from them .. and we need a trained cadre of people who know how to operate in the world of venture capital.” VC scholar Kenneth Rind, interviewed in Murray, “Venture Capital and Government Policy,” 50.

⁷⁶⁶ In traditional social theory, class is perceived to have three factors: (1) objective (i.e., position in relation to the means of the production), (2) subjective (perception of similarity among members, including shared goals and interests i.e., class consciousness), and (3) reproductive (a set of social relationships reproduced between generations). In my argument, a new VC-based class is formed by the ventreprenurial relationship to (1) equity as the means of production; (2) embeddedness within inclusive/exclusive social networks; and (3) as a result of continuous reproduction of the VC process (along with the ongoing presence of certain VC institutions, firms and actors, as well as the phenomenon whereby younger generations of (v)entreprenuers become the next generation of VCs). See Hanagan, “Class.”

A Stratified Venture Class (SVC)

There is a crude distinction sometimes made in the world of VC-backed entrepreneurship between exits that provide equity-owning participants with “a lot of” money versus those that provide participants with “fuck you” money. In his memoir *Chaos Monkeys: Obscene Wealth and Random Failure in Silicon Valley*, Antonio García Martínez describes this distinction with reference to a proposed acquisition of his startup by Twitter. The offer presented by Twitter was \$10 million in total but included a twist: the deal included a massive provision to Martínez and his co-founders as a “signing on” bonus at Twitter but valued the firm itself (i.e., the equity) at a relative pittance.⁷⁶⁷ From an acquirer’s perspective, it does not matter how the \$10 million is apportioned except for the fact that they want the HC they are acquiring (the true basis of technological value) to be happy and to remain with the acquiring firm.⁷⁶⁸ Investors (i.e. VCs), on the other hand, are of no direct value to an acquiring firm. However, this situation presented Martínez with a conundrum: yes, this was a lot of money for him to be receiving—but was it “fuck you” money? Was it the kind of money that would change his life to such an extent that he wouldn’t have to worry about his reputation among VCs should he need to enter the startup world again after a tenure at Twitter?

⁷⁶⁷ One way of framing this is to say that Twitter put a high price on the value of HC, but a low price on the value of the firm.

⁷⁶⁸ This type of acquisition, where the HC is the true asset being acquired, is often referred to as an “acquihire.”

The problem for Martinez was ensuring he left the door open for a repeat play at the entrepreneurial game.⁷⁶⁹

We have, then, several considerations in play. The first is how HC are valued in relation to equity at the point of and beyond exit, the second is how equity is apportioned to provide differential outcomes for different equity-owning actors, and the third is how equity interacts with social norms and obligations beyond any single iteration of the VC process.

It is no understatement to say that the world of VC has produced—and will likely continue to produce—immense amounts of wealth for equity-owning participants in the process, including not just GPs and LPs, but also (v)entrepreneurs, and early employees.⁷⁷⁰ Successful exits frequently make millionaires (and billionaires) of these actors, placing them into a separate economic category to the broader population (even if living in a location like Silicon Valley today demands such wealth as a precondition of owning property in the form of a single-family residence). What is apparent, however, is that such wealth is not only unevenly distributed *to* these equity-owning participants, but *among* them as well. That is, if we accept that the wealth of equity-owners bestows them membership within a distinct economic (i.e., wealth) class—an equity-owning class—then must also acknowledge that this class is internally stratified between different categories of members.

⁷⁶⁹ Martinez, *Chaos Monkeys*, 245–47.

⁷⁷⁰ Evidence suggests that among the wealthiest American citizens, the share who made their money from technology ventures has quadrupled in the past several decades. We know from IPO statistics that half or more of these ventures were VC-backed. See Broockman, Ferenstein, and Malhotra, “Predispositions and the Political Behavior of American Economic Elites,” 213; Gornall and Strebulaev, “The Economic Impact of Venture Capital.”

To understand how this is so, we need to consider the differential access and distributions given to the apportioned equity of a new venture. First, private equity investments are, bar some allowances, restricted to accredited investors, thus disqualifying the vast majority of the public from this wealth opportunity.⁷⁷¹ While accredited investors are supposedly more sophisticated financial actors, the basic qualification is wealth,⁷⁷² and it is thus one of the great ironies of private equity is that, in being private, it is inherently non-equitable.

Manuel Castells theorizes differential social access and distribution in terms of *networking* power, a “form of power [that] operates by exclusion/inclusion,” wherein the costs of exclusion (from networks of interest) increase disproportionately to the benefits of inclusion.⁷⁷³ We shall return to the theme of networks in due course, but in terms of wealth and capital, this is essentially the same thesis proposed by Thomas Piketty in his well-publicized book *Capital in the Twenty-First Century*.⁷⁷⁴ Piketty’s now well-known thesis, encapsulated in the formula $r > g$, implies that wealth (in the form of assets or capital, represented by r) will grow faster than the economy, including income distributions (represented by g). Thus, those excluded from asset or capital

⁷⁷¹ Crowdfunding, for instance, has a somewhat lower bar for investment, but still retains restrictions on how much may be invested and the basic income thresholds a would-be investor must meet. The critique of investment regimes that exclude the public *en masse* has a venerable history. It was a complaint made by the father of economics himself, Adam Smith, for whom exclusive private investment was nothing less than a conspiracy against the public. Smith’s major concern was that the private meetings of merchants excluded the public from profitable networks and knowledge and thus contradicted the principle of a “common” wealth. This is an argument I shall attempt to corroborate in the context of VC. See Portes, “Social Capital,” 15; Smith, *The Wealth of Nations*, 177.

⁷⁷² See Chapter 2, footnote 502.

⁷⁷³ Castells, “A Network Theory of Power,” 774.

⁷⁷⁴ Piketty, *Capital in the Twenty-First Century*.

ownership will receive disproportionately unequal outcomes no matter how much economic growth does or does not manifest. Given the frequent recourse of VC apologists that VC is an engine of economic growth, and what we know about its basis in equity distributions, this is a thesis we should pay attention to.

Piketty is not without his critics, however, and one particularly important critique is that given by Adkins et al. in their book *The Asset Economy*. The authors' objection is not that $r > g$ is incorrect *per se*, but that it lacks nuance in accounting for both the way that "r" is distributed among the capital (and asset) owning class, and the form that "r" may take.⁷⁷⁵ In their argument, "r" applies to any wealth producing asset, the most ubiquitous of which is real estate. Eschewing arguments about wealthy boomers and disenfranchised millennials, *The Asset Economy* shows how asset inheritances produce new class stratifications that cuts across generational lines of economic opportunity. The argument focuses on real estate not because it is the only asset that produces such class stratifications, but because all members of society have a social stake in the distribution of real estate assets. As the authors note, even unhoused people are defined by their relationship (of exclusion) to real estate markets and ownership. Standing a class above the unhoused, are renters who may never muster the income to achieve asset ownership, then residential homeowners, petty rentiers, rentiers, property developers, and so on.⁷⁷⁶ The point is that even beyond the structural

⁷⁷⁵ Adkins, Cooper, and Konings, *The Asset Economy*, 23.

⁷⁷⁶ Adkins, Cooper, and Konings, 24, 63.

exclusions of the asset owning class, there is a stratification and *hierarchy* of privilege and self-perpetuating benefits within it.

This argument has clear applicability to the equity ownership structures of VC investment. Beyond the sheer exclusion of non-accredited investors, the equity-owning class of VC-backed investments has its own internal hierarchy of access and apportionment. Consider first, for example, early HC employees, who are not simply *given* equity but are rather afforded the opportunity to purchase it via an Employee Stock Option (ESO) plan.⁷⁷⁷ Even within the industry there is a sense that the way ESOs operate is not always equitable or fair. Not only is there the sense that employees do not get a high enough stock allocation in their options agreement, but also that the cost of purchasing this equity can be prohibitive.⁷⁷⁸ Silicon Valley luminary Sam Altman, for instance, once wrote a blog post arguing for a new class of stock that would be more affordable to employees—further entrenching the class hierarchies pertaining to wealth and status distribution among the equity-owning entrepreneurial class—in which he acknowledged that, in the end, “investors [i.e., VCs] don’t feel that they have enough incentive to try something new for employees.”⁷⁷⁹ Employees possessing ESO

⁷⁷⁷ As described in Part I, the ESO is often negotiated as part of the term sheet agreement. VCs typically push for around a 20 percent allocation, fully cognizant of the fact that a startup firm’s value in large part from its HC, and that HC retention is key to a successful high-value exit. Of course, the VC also wants to ensure their own equity allocation is not diluted down the line as a result of attempting to distribute employee ESOs.

⁷⁷⁸ The analogy to renters in the real estate market here finds its counterpoint in the demand that, to purchase a home, a renter needs to muster a not insignificant deposit. As the authors point out, “The need for a lump-sum payment to break into the market means that intergenerational transfers of wealth come to play a central role and that the generational dimension shapes the logic of class in new ways.” Adkins, Cooper, and Konings, *The Asset Economy*, 28.

⁷⁷⁹ Altman, “Employee Equity.”

allocations might, therefore, be considered analogous to renters in Adkins et al.'s argument: they contribute to the overall value and wealth of the underlying asset and they are not *legally* excluded from possessing it, however, the costs of taking ownership can often be prohibitive. Nevertheless, *should* they take ownership, they will obtain a new position in the class hierarchy of equity (asset) ownership with the option to cash out or exchange that equity at any point in the future. They may even use the proceeds from capital gains on that asset or equity to purchase or found new assets or equity that may be further divided among a new class of employees/renters and owners.⁷⁸⁰

Next in the hierarchy are the founders themselves who, despite having exclusive ownership of the firm prior to VC-backing, typically have their own equity vested back to them over several years after they become legally bound to the VC process. While founders should theoretically retain the majority of a firm's equity and thus possess critical mass when it comes to corporate ownership, in practice this is often not the case, especially in situations where VCs have the upper hand. Biotech founders, for instance, because of the long, capital-intensive R&D involved, often end up owning as little as 5 percent of their firm by the time of exit. Tim Westergreen, on the other hand, a co-founder of the streaming music service Pandora, held a paltry 2.39 percent of the company when it exited by IPO.⁷⁸¹ This is ultimately a consequence of the fact that,

⁷⁸⁰ Just as an owner of real estate may use the proceeds (or even credit facilities) from initial ownership to purchase additional property for the purpose of renting or “flipping” that property for a profit, so too may equity-owning employees who exercise their ESO have the option to found their own startup, apportion their own equity, and thus restart the cycle of hierarchical wealth distribution.

⁷⁸¹ In the case of Pandora, the startup was rejected many times by VCs and thus, in desperation, ended up signing term sheets with extremely favorable provisions for investors. Conde, “Biotech Researchers Venture into the Wild to Start Their Own Business | TechCrunch”; “Pandora Media, Inc. | Form S-1.”

along with employees, founders are, from the start, in possession of common and not preferred stock.

VC investors, on the other hand, possess preferred equity from the outset right up until the point of exit and, *even if they possess a smaller ownership stake*, have more powerful rights than founders in terms of future fundraising, exits and so forth. Thus, VCs might be seen to exist higher in hierarchy by virtue of the *power* they exert over equity distributions and corporate strategy; they possess qualitative hierarchical advantages even if and when they do not possess quantitative superiority. Additionally, as we saw in Chapter 1, VC investors can, if their negotiations go well, even possess participating preferred equity, whereby they are afforded the opportunity to “double dip” at exit, extracting both their original (preferred equity) stake *and* a new stake in the common equity. This means VCs can extract even more value from a firm than founders, despite the supposed “sweat equity” that founders have invested in building the company.⁷⁸² Thus, even among VCs, there may be a hierarchy in terms of the liquidation preferences negotiated, the rights assigned, and, of course, the amount of equity allocated. And this is not to mention the value of a VC’s (or VC firm’s) reputation, which can itself produce the effect of their money carrying greater “weight” given the social network benefits a prestigious firm offers to would-be entrepreneurs, and thus places certain VCs and VC firms, by virtue of their reputation, higher in the hierarchy of the equity-owning class.⁷⁸³

⁷⁸² Bagley and Dauchy, *The Entrepreneur’s Guide to Law and Strategy*, 462.

⁷⁸³ Chang, *Brotopia*, 151.

Finally, at the very top of the hierarchy are the LPs—arguably the only group in the VC ecosystem that has more power than the VCs (i.e., GPs) themselves.⁷⁸⁴ LPs own the most equity of any investment group in the chain (bar the founding team in the initial stages) and are the source of nearly all capital comprising the funds and driving the process. If *structural* change were to occur, this is arguably the locus of power and place in which it would occur.

Despite this hierarchy within the equity-owning class, what I will call the Stratified Venture Class (SVC), it remains a class by virtue of its adherence to and stake within the common equity relation to any given firm’s success.⁷⁸⁵ As Antonio Gramsci noted, class is always a hierarchical relationship, but when social (and political) forces coalesce to produce homogeneity, self-awareness, and organization—as is the case in the VC process—intellectual and moral unity can follow, thereby binding the class to a system of hegemony under a cloak of legitimation, regardless of differential outcomes.⁷⁸⁶

We therefore come, finally, to the third element of Hirschman’s thesis introduced in Chapter 1: loyalty. Equity, the common basis of all members of the SVC, engenders loyalty by imbuing all actors with “skin in the game.” However, as we have seen, and as Naseem Taleb has argued in a book of the same name, the risk and reward inherent to having skin in the game is asymmetrical. Symmetry would imply all

⁷⁸⁴ Chang, 171.

⁷⁸⁵ Obviously, VCs, including LPs, have a slightly different relation to this equity by virtue of having an investment portfolio and thus different incentives. This was explained in Chapter 2.

⁷⁸⁶ Gramsci, *Prison Notebooks*, 181.

stakeholders possess equal liability in the event that something goes wrong—that is, that a share of the reward comes with a share of the risks—but we know from the preceding argument that in the context of VC this is simply not true.⁷⁸⁷ For example, if the firm does not perform to the satisfaction of public investors, ESOs may become “underwater” or “out of the money,” meaning that the exercise (i.e., option) price is *higher* than the market price and thus worthless, whereas founders (who do not need to purchase equity) can simply sell what they already own and VCs can hedge any losses or less than impressive growth through the fund portfolio.⁷⁸⁸ Nevertheless, returning to Chapter 1’s theme of carrots and sticks, the flipside to this equation, the potential upside on offer, can lead to a far more zealous workforce given how much skin in the game these employees have. Compared to wage laborers, the result is often that equity ownership (or option claims to it) leads to willing self-sacrifice on the part of workers in the interests of growing the firm, and to firm allegiance in an industrial ecosystem where job hopping is otherwise encouraged.⁷⁸⁹ As Margaret O’Mara points out in her history of Silicon Valley, when Hewlett Packard (HP) gave stock to employees in the 1950s, it was part of an explicit strategy designed to build loyalty and camaraderie as an alternative to union membership (which HP’s co-founders greatly disliked).⁷⁹⁰

The net effect, then, of the equity relation, is to make capitalists of all participating stakeholders. It is a class above the rest of society for this reason, and yet

⁷⁸⁷ Taleb, *Skin in the Game: Hidden Asymmetries in Daily Life*, 4.

⁷⁸⁸ Bagley and Dauchy, *The Entrepreneur’s Guide to Law and Strategy*, 638.

⁷⁸⁹ Kim and Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, 183; O’Mara, *The Code*, 318.

⁷⁹⁰ O’Mara, *The Code*, 33.

internally organized so as to ensure that the hegemonic privilege of owning the means of production does not become entirely generalized. Despite the return of surplus value to workers in the firm,⁷⁹¹ these returns are differentially distributed and, in a manner, disproportionately bestowed relative to the productive effort of workers. Like all workers, then, equity-owning employees—including even founders—are exploited in the production process.⁷⁹²

However, all this said, the privileges given to the SVC are not limited to wealth but pertain also to the social benefits accrued by its members, benefits that can be described as *social* in their basis. These benefits may pertain to employment access through referrals, mobility across occupations, and entrepreneurial success as a result of access to capital, and so forth.⁷⁹³ It thus becomes apparent that membership within the SVC affords its members certain “structural capacities” (or powers) corresponding to their position in the prevailing social (equity) hierarchy.⁷⁹⁴ The SVC is not merely a wealth-owning class, but also possesses social status which is itself hierarchically arranged in accordance with social networks and capital. To make the relationship explicit with VC, I shall call the domain of this social status “Social Venture Capital,” or SVC.

⁷⁹¹ Of course I am referring here only to early employees who are afforded equity options.

⁷⁹² Walker, *Pictures of a Gone City*, 43.

⁷⁹³ Portes, “Social Capital,” 12.

⁷⁹⁴ Callinicos, *Making History*, xx, 152.

Social Venture Capital (SVC)

To avoid confusion at the outset, let me explicitly state that my intention of using the same abbreviation to denote both the Stratified Venture Class and Social Venture Capital is intentional. When I invoke the abbreviation “SVC” from this point onwards, I am intentionally exploiting its ambivalence. If this ambivalence does not apply in any given context, I shall explicitly state my usage of the term. As this chapter progresses, I shall add further meanings to the abbreviation in the same manner.

The combination of these two meanings is reflected in the unique dual role of VCs that differentiates them from other categories of financier. That is, in addition to acting as the provider of financial capital, VCs also offer (1) access to “venture networks,” and (2) expertise and experience (i.e. general and specific HC), which is often enacted through coaching, education, and mentoring.⁷⁹⁵ In a word, VC offers both financial *and* social capital, or what Robyn Klinger-Vidra describes as “‘smart money’ ... technology savvy, product development expertise, and a Rolodex of customers and

⁷⁹⁵ “[Interviewer:] So you’re doing well, have great people, and are profitable, and then you decide to take VC money? [Greenspun:] Here was the problem: hiring businesspeople was almost impossible. That was one of the things that drove us into the arms of the VCs.” Philip Greenspun, founder of ArsDigita, quoted in Livingstone, *Founders at Work*, 327; In some cases VCs impart a particular vocabulary of practice taken from a select group of favored, canonical texts, such as Eric Ries’ *The Lean Startup*, Clayton Christensen’s *The Innovator’s Dilemma*, and Geoffrey Moore’s *Crossing the Chasm*. See for example, Moore’s author’s note in Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*; Sometimes it is a choice of one or the other out of the networks/mentorship value-add: “our entrepreneurs valued the capabilities of the firm [a16z] - ability to plug them into our network of relationships across big companies, capital markets, the press, and to connect them with executives and engineers they might want to hire--more than our advice” Horowitz, *What You Do Is Who You Are*, 203.

acquirers.”⁷⁹⁶ Sebastien Mallaby, inadvertently expressing the principles of both additive and transformative HC valorization, speaks effusively of this fact:

“[The] emergence of the venture network ... was like going from a system driven by genius to one driven by evolution. A brilliant person can do great things. A large group of people can try many things. Through an evolutionary process of trial, failure, and occasional breakthroughs, the group may advance faster than the individual.”⁷⁹⁷

The first point to note is Mallaby’s invocation of the term evolution, implying a progressive series of combinations leading to renewal within a system of reproduction.⁷⁹⁸ The second point is that it is not expertise *or* networks that provide a value-add for VC-backed HC, but the way in which both mutually reinforce one another. While expert knowledge is the key to accessing the network, the network is also a key to accessing *new* knowledge. That is, knowledge is both given to and taken from the network, and each is reciprocally implicated in the other.

Such a relationship, in itself, is analogous to Michel Foucault’s claims about power and knowledge and the thesis commonly referred to as power-knowledge (or power/knowledge). Foucault’s argument is that a careful review of history demonstrates power is not simply possessed but is rather exercised through certain kinds of practices made possible by knowledge. Thus, whereas it is a common refrain

⁷⁹⁶ Klinger-Vidra, *The Venture Capital State: The Silicon Valley Model in East Asia*, 50.

⁷⁹⁷ Mallaby, *The Power Law*, 81–82.

⁷⁹⁸ Bourdieu, “The Forms of Capital.”

to suggest that “knowledge is power,” this statement is either incomplete or simply incorrect. Not only is knowledge a means to power, but power is a means to knowledge, and both are ends in themselves. Power-knowledge, treated as a complex and irreducible duality, thus expresses the idea that ways of thought shape practicable possibilities, and that the way we think makes certain kinds of action possible (and others impossible).⁷⁹⁹

In a similar vein, as already noted, Manuel Castells has argued for an irreducible relationship between networks and power.⁸⁰⁰ To make his argument, Castells introduces a complex taxonomy around various (confusingly similar) conjugations of the word “network,” assigning different meanings to network, networking, networked, and network-making power (Table 3.1).

TYPE OF POWER	DESCRIPTION OF POWER
Network Power	The rules and obligations imposed upon network participants (i.e., network norms)
Networking Power	The power of the network over all who are <i>not</i> included in the network (i.e., the outflow of power, power over the “public”)
Networked Power	The power of certain network participants over other network participants (i.e., internal hierarchies)

⁷⁹⁹ Foucault’s ideas about power-knowledge are scattered throughout his many works. For a relatively concise description, see Foucault, *Discipline and Punish*, 26–31; Foucault, *A History of Sexuality: Volume 1: An Introduction*, 92–97; Foucault, *Power/Knowledge: Selected Interviews & Other Writings (1972-1977)*, 92–100.

⁸⁰⁰ Foucault also acknowledges the requirement of networks for power to flow through. However, he does not foreground this point in the same way as Castells. See Foucault, *Power/Knowledge: Selected Interviews & Other Writings (1972-1977)*, 99.

Network Making Power	The power to “program” or structure the network according to the interests of select participants, (i.e., the power form alliances between nodes of actors)
----------------------	---

Table 3a.1 – Castells’ Taxonomy of Networks and Power⁸⁰¹

What becomes apparent in the context of SVC is that the power inherent to networks is a function of the knowledge that flows through them, just as the knowledge that flows through them is a function of the networks. By implication, both are a function of power. Thus, in the context of the discussion that follows I want to make this tripartite connection more explicit than it appears in the work of either Foucault or Castells (Figure 3a.2).

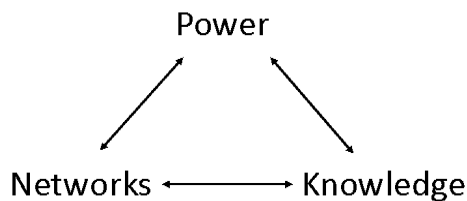


Figure 3a.3 – Power-Knowledge-Networks (Source: Author)

Let us examine this model in the context of SVC. It is generally accepted and corroborated by data that the best founders—i.e., those who can achieve the highest

⁸⁰¹ Castells, “A Network Theory of Power”

valuations—have access and connections with the most prestigious, and thus powerful, VC firms.⁸⁰² And yet, it is a logical truism that those VC firms gain their prestige from having access to the best founders.⁸⁰³ Moreover, while it might be presumed that any access is good access, this is not true. For example, the capabilities of incubators and accelerators, often presumed to be an entry path into what I am calling SVC, are generally overblown. It is estimated that 85 percent of unicorns did not go through any accelerator program—the catch is that most of the remaining startups, the ones that *did* achieve unicorn status (e.g., Stripe, Airbnb, Coinbase, and Instacart) all went through the *same* incubator: Y Combinator.⁸⁰⁴ That this node of the network is especially powerful is a useful demonstration of not only “network making power” but also of knowledge flow: the “demo days” organized by Y Combinator are valued by VCs in a way that other incubator demo days are not. VCs come to these demo days with their wallets open, believing that the knowledge they will gain about new startups is trustworthy. Of course, it is Y Combinator’s “networked power” that attracts this competition over startups in the first place, giving them privileged access to knowledge about new entrepreneurs. Thus, the three nodes in Figure 3a.3 reinforce one another. More than this, however, as is implied by the terms “trust” and “reputation,” the knowledge and power inherent to different nodes of the network is *accumulated* over

⁸⁰² Tamaseb, *Super Founders*, 249.

⁸⁰³ As noted in Chapter 1, VC depends on entrepreneurship for its existence and is as such a *form* of entrepreneurship. The relationship between the two entities—VC-backed (v)entrepreneurs and VCs—is symbiotic. The mutual reinforcement of network power is thus logically deducible.

⁸⁰⁴ Tamaseb, *Super Founders*, 217.

time to thus accentuate all three elements and to tip the balance in the favor of certain powerful network nodes.⁸⁰⁵

For outsiders (i.e., new startups or VC firms) looking in, this presents a conundrum. How do you gain the knowledge to be a valued and powerful member of the network when you do not already possess the knowledge and power necessary to be part of the network? Younger VC firms such as a16z—founded in 2009, now and for many years already a global powerhouse in VC—recognized this early on, building their entire business strategy around the basis of network connections.⁸⁰⁶ As Ben Horowitz, one of the co-founders puts it:

“Marc [Andreessen] and I thought if we created a firm specifically designed to help technical founders run their own companies, we could develop a reputation and brand that might vault us into the top tier of venture capital firms despite having no track record. We identified two key deficits a founder CEO had when compared with professional CEO:

1. The CEO Skill Set ... Managing executives, organizational design, running sales organizations ... 2. The CEO Network ... [Knowing] lots of executives, potential customers and partners, people in the press, investors, and other important business connections.”⁸⁰⁷

Here we see two kinds of technical knowledge—professional and scientific (including what is commonly referred to as “technological”)—come together as a value

⁸⁰⁵ Bourdieu, “The Forms of Capital,” 241–42.

⁸⁰⁶ The caveat here is that the co-founders of a16z (Marc Andreessen and Ben Horowitz) were both already successful and well-connected entrepreneurs. See Friend, “The Mind of Marc Andreessen.”

⁸⁰⁷ Horowitz, *The Hard Things About Hard Things*, 268.

proposition for would-be members of the network. Power-knowledge-networks becomes, as such, a method of *seduction*. But note, while entrepreneurs inaugurated into the SVC gain power and knowledge as a result of membership to the network, the VC firm itself gains a privileged position as a powerful node in the network. It is not just that they gain access to the best new entrepreneurs and HC—deal flow, in the language of the industry—but that they become the gateway for other VC firms and HC to access those new entrepreneurs and HC. Thus, by offering access to knowledge within the network, the offering party gains privileged access to new knowledge *for* the network. This reinforces the SVC (class) hierarchy discussed in the previous section, only this time in the context of social capital (i.e., network status) as much as equity (i.e., wealth).

VC thus becomes a mediator of knowledge by virtue of the network and gains differential power—depending on how centrally positioned they are in the network—as a result of that mediation. But what kind of information are we talking about? Returning to the idea that HC is the essential basis of technology, the basic thesis would appear to be that technological information is what we are referring to. Indeed, it is a basic premise of Everett Rogers’ work in *Diffusion of Innovations* that innovation flows through the information flows of social networks—that “most people depend on a subjective evaluation of an innovation that is conveyed to them from other individuals like themselves ...”⁸⁰⁸ This claim, however, implies a second thesis: the circulation of HC is itself part of the mediating function of VC and thus of knowledge flows

⁸⁰⁸ Rogers, *Diffusion of Innovations*, xx, 18–19.

throughout the network. HC mobility may therefore be conceptualized as a knowledge transfer mechanism. Moreover, HC is valued differently depending on which nodes of the network it flows through. HC captured from top-ranked engineering programs and schools, or who worked at reputable firms or have references from trusted sources, for instance, have greater value—i.e., greater *social capital*—in the network.⁸⁰⁹

The ability to draw upon networks of highly valued HC is in itself a draw to HC. Jeff Bezos, founder of Amazon, for example, famously admitted that he took funding from John Doerr with less favorable financial terms than an offer from other VCs for the sole reason that Doerr was able to command and bestow superior network access and thus social capital.⁸¹⁰ The flipside, of course, was that Doerr was given early access to invest in one of the fastest and largest growing startups in VC history. In other words, Doerr's social capital gave him access to privileged deal flow, which in VC terms can sometimes be considered more valuable than money itself.⁸¹¹ As Tren Griffin puts it (extrapolating from a quote by inveterate entrepreneur Rich Barton of Expedia, Glassdoor, Zillow, and Benchmark Capital):

“[R]ather than just raising cash as they grow their businesses, the smartest entrepreneurs select venture capitalists who can deliver valuable services. The best venture capitalists have access to the best networks, which further amplifies their value. Money is not the scarcest resource when you have an

⁸⁰⁹ O'Mara, *The Code*, 104.

⁸¹⁰ Mallaby, *The Power Law*, 180.

⁸¹¹ “Getting a first look at a potential Uber or Airbnb is what distinguishes a first-class VC from also-ran.” Martinez, *Chaos Monkeys*, 156–57.

attractive business idea and a strong team in a huge market or potential market.”⁸¹²

Or, as Peter Thiel rather more succinctly says: “the network is the core value proposition.”⁸¹³

This presents something of a paradox. For maximal valorization, HC, like any other asset, must be allowed to circulate freely and rapidly; and yet, to capture that value implies that HC must also be constrained. Here we see the principle of power-knowledge-networks at work, for privileged nodes of the network not only entice the most valued HC into their realm of influence, but they allow this HC to flow *through and between* nodes, thus capturing the value within privileged networks while simultaneously allowing it to circulate relatively freely.

In some ways this principle is encapsulated in the portmanteau “coopetition” (cooperation + competition) which VCs like to invoke when referring to the strategic alliances they make in terms of investments, and also as a way of paying reference to the importance of maintaining good network relations (and reputations) in terms of Social Venture Capital.⁸¹⁴ Deal flow, as we know, is both produced and consumed by the network. But this is not merely an outcome of the reputation of individual firms

⁸¹² The original quote by Rich Barton is “Get the highest-octane fuel in the tank when choosing a venture capitalist.” Quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 76.

⁸¹³ Quoted in Griffin, 294.

⁸¹⁴ Jim Swartz “coopetition—a word that defines our industry. We compete in the morning, cooperate in the afternoon, and we enjoy each other's company in the evening.” Swartz and Newhall, *Co-Opetition*.

who are able to attract HC directly; it can also be the outcome of strategic investment alliances made between VC firms, a phenomenon known as VC syndication.

As it happens, VC investment is more likely to be syndicated than not.⁸¹⁵ We can represent this by saying that in the general formula for venture capital equity ownership is not merely split between the entrepreneur and VC, but rather that the equity is split between the entrepreneur and multiple VCs (the composition of which, as we know from Chapter 1, may vary between individual rounds, or series, of investments). If we refer back to Figures 2.3 and 2.4, we could say that a more accurate representation of the investment cycle would be illustrated by replacing “VC” with “VC_{Syn}” (to imply VC_{Lead} + VC₁ + VC₂ ... VC_i). So rendered, an accurate description of equity would be expressed

$$\frac{E}{(VC_{Lead} + VC_1 + VC_2 \dots VC_i) + Ent}$$

In a syndicated investment, one VC firm acts as “lead” investor, performing the day-to-day management associated with a GP, while other investors take more of a backseat, and generally obtain less equity as a result of this subordinate role. The benefit for the startup is that they gain access to multiple VC networks—they gain access to SVC *in aggregation*.⁸¹⁶ However, this combination also benefits the various

⁸¹⁵ Trapido, “Performance Implications of Venture Capital Syndication Networks,” 401.

⁸¹⁶ “Because venture capital firms syndicated, the power of the network was cumulative in terms of being able to leverage a wider array of contacts and resources to increase the likelihood of a favorable valuation at exit.” Nicholas, *VC*, 280.

VCS involved. Given the risk and uncertainty inherent to any new startup venture, having other VCs on board who have performed their own due diligence facilitates a sounding board and area of expert confirmation that the venture is viable (a demonstration of information flow and thus of power-knowledge through networks).⁸¹⁷ In addition, having the additional VCs on board, by virtue of the Social Venture Capital bestowed, increases the likelihood of success.⁸¹⁸ It is speculation actualized through the very act of speculation. And so, as social theorist James S. Coleman notes, “[just] like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible.”⁸¹⁹

It becomes apparent, then, that Social Venture Capital, like all social capital, is a resource that may be drawn upon. It is an asset. And like all assets it has a speculative temporal structure—it can be invested in, speculated upon, and used as a vehicle for profit.⁸²⁰ But what actually is social (venture) capital?

Perhaps the most well-known and foundational definition is that given by Pierre Bourdieu, who describes social capital as one of capital’s “three guises,” the other two being economic and cultural capital. Social capital for Bourdieu pertains to a set of social connections and obligations that may be converted into economic capital and

⁸¹⁷ Gompers and Lerner, *The Venture Capital Cycle*, 255.

⁸¹⁸ There is a large body of research on this topic and the consensus is that syndication improves performance in terms of achieving successful, high-value exits. See, for example, Abell, “Performance Effects of Venture Capital Firm Networks”; Hochberg, Ljungqvist, and Lu, “Whom You Know Matters: Venture Capital Networks and Investment Performance.”

⁸¹⁹ Coleman, “Social Capital in the Creation of Human Capital,” 98.

⁸²⁰ Portes, “Social Capital,” 3.

institutionalized in the form of “nobility” (which in the context of SVC we may describe as a wealthy elite).⁸²¹ It is, says Bourdieu,

“the aggregate of actual or potential resources linked to durable network of more or less institutionalized relationships of mutual acquaintance and recognition—or, in other words, to membership in a group—which provides each of its members with the backing of collectively-owned capital, a ‘credential’ which entitles them to credit, in the various senses of the word.”⁸²²

Furthermore, it is a key feature of social capital that its volume (i.e. the magnitude possessed) is determined by the size of the network of connections that an agent in the network can effectively mobilize, as well as the volume of (economic, social, and cultural) capital wielded by each member of those networks in turn.⁸²³ Thus, to speak of a Social *Venture* Capital is to speak of a system in which agents who are “plugged in” to the social fabric of the network pivot those relations around the networks of VCs, who are in turn plugged in to other networks—some possessing more social capital than others. Curiously, a point that Bourdieu is keen to emphasize is that social capital is convertible to economic capital, which is itself defined by its convertibility into monetary form and its protection under the institution of private property rights. And so, while social capital is not reducible to economic capital, it is one crucial means to it. The relevance of this point to VC should be obvious.

⁸²¹ Bourdieu, “The Forms of Capital,” 243.

⁸²² Bourdieu, 248.

⁸²³ Bourdieu, *Outline of a Theory of Practice*, 249.

Cultural capital, on the other hand, is slightly different. While similarly convertible into economic capital (and thus money and private property) on certain conditions, unlike social capital which is institutionalized in the form of an elite social class, cultural capital is institutionalized in the form of educational qualifications (e.g., institutional accreditation).⁸²⁴ It is here that Bourdieu makes a curious connection between cultural capital and human capital (HC), in particular as it is articulated in the work of Gary Becker. Bourdieu's main line of argument is to critique Becker's reduction of HC to economic yield (i.e., economic capital) while ignoring HC's basis in cultural capital.⁸²⁵ For Bourdieu, there is an aspect of HC that depends on cultural capital previously invested in an agent—either by the agent's family or as a result of their institutional associations. In the context of SVC, this would pertain to the reputational gain afforded a would-be (v)entrepreneur, scientist, or engineer from their association with a top draw technical program or university, or from previous employment.⁸²⁶ To simply suggest that HC is a product of economic investment and output is to miss the point that HC is both a product of and contributing factor to class arrangements that, because also based in cultural and social relations, engender shared objective meanings and practices that transcend subjective intentions to produce class-distinctive attitudes and behaviors while at the same time facilitating resources that

⁸²⁴ Bourdieu, "The Forms of Capital," 243.

⁸²⁵ Bourdieu, *Outline of a Theory of Practice*, 244.

⁸²⁶ It is an interesting fact that the most famous "dropouts," such as Bill Gates, Mark Zuckerberg, Elon Musk, and so forth, even though they did not obtain an institutional qualification (i.e., degree) all went to top-tiered universities (Harvard, Stanford). That, in itself, was enough to bestow the cultural capital necessary for gaining social capital and eventually economic capital in the world of VC.

may—by virtue of reproducing those attitudes and behaviors—be converted into economic gain.⁸²⁷ Stated otherwise, economic, social, and cultural capital come together in SVC to produce a social and economic class orbiting the VC provision of equity as a means of capturing and valorizing the most reputable HC. And the basis of that reputation—power within the network that bestows power—is the accumulation of HC, which itself propels the quality of future deal flow in terms of sustaining that reputation.⁸²⁸

To say that the accumulation of HC undergirds growth (G), however, presents us with a conceptual difficulty, for growth (G) in the general formula for VC implies growth pertaining to either an individual startup or a portfolio of startups within a fund, whereas the accumulation of HC described in this chapter occurs both within *and* beyond the journey of any individual startup or fund. This is where the additive and transformative valorization of HC comes into play. For growth (G) is accentuated by the combination of HC inherent to any given startup or portfolio and the (proven) HC that a VC can introduce in combination with it. This offers one explanation for why the “best” VC firms are able to produce the greatest growth for their portfolio firms: Social Venture Capital. That is, the “best” VC firms are not only better equipped to capture the best “new” HC flowing into venture network, thus *renewing* that network; they are also able to mobilize the best pre-existing HC in the network and to combine it

⁸²⁷ Bourdieu, “The Forms of Capital,” 81.

⁸²⁸ De Clercq and Dimov, “Venture Capital Firms: A Human Capital Perspective,” 108.

effectively, thereby *reproducing* its existing social fabric.⁸²⁹ Without new HC, there will be fewer new entrepreneurial opportunities (“ideas”); without existing HC, there will be a lower chance of success in pursuing them (“execution”).⁸³⁰ When this Social Venture Capital is combined with superior capital resources offered in exchange for equity distributions—opening the door to the Stratified Venture Class—we arrive at the aggregate concept I have been attempting to characterize as SVC.

Accessible Exclusivity: An Exercise in Legitimation

SVC is ostensibly open and available to all with one minor exception: the exclusion of non-accredited investors (although even they are free to enter if they become entrepreneurs). This is, perhaps, the only legal exclusion that applies to SVC, and thus for all its elitist underpinnings and outcomes, SVC maintains an air of legitimacy grounded in the liberal—and sometimes libertarian—ethos of freedom, opportunity, risk, and reward. I have argued, however, that within this network arrangement, in relation to both its financial (i.e., equity) and social (i.e., social capital) aspects, VC indulges in positions of nodal privilege. On the one hand, VCs are the glue that bring different nodes together (Castells’ network making power – Table 3.1), on the other, by virtue of their relatively opaque, idiosyncratic, and generally unsystematic decision-making power, VCs act as *gatekeepers* to SVC and have the power include or exclude

⁸²⁹ As Sharon Zukin notes, for all the “disruptive” credentials of upstart startups, founders, scientists, and engineers alike are trained to reproduce the dominant norms of the financial (i.e., VC) elite. Renewal occurs within the confines of reproduction. See Zukin, *The Innovation Complex*, 100.

⁸³⁰ Shane, *A General Theory of Entrepreneurship*, 41.

any they choose, without explanation (a form of Castells' networking power – Table 3.1).⁸³¹

We might describe SVC, then, as a world that is arbitrarily open. Undoubtedly, this is a world that seeks renewal through new and unknown entities—the whizz kid dropout with a viral app and whatnot—but it is also a world that never fails to recycle privilege when given the opportunity, and rarely deviates from deferral to type.⁸³² In part, this is a function of SVC. Many VCs, for instance, will only invest in entrepreneurs they know (i.e., ventpreneurs) or that they have been referred to by *trusted* members of the network. Some will be excluded on the basis of age, gender, ethnicity, or experience.⁸³³ Even when it looks like an entrepreneur has “gotten in” on the basis of their own “genius,” the story is often more nuanced and at least in part attributable to the power and privilege of networks.⁸³⁴ Consider the words of one CEO speaking about Silicon Valley:

⁸³¹ Frederic Kerrest recounts the tale of an entrepreneur who lost out on Series B funding for no other reason than that the senior partner at their VC firm was having a “bad day,” having totaled their sports car at the weekend. As Kerrest puts it: “It’s scary to think that the fate of your company could rest on something as capricious as the mood of a VC partner, but it does.” See Chapter 4 of Kerrest, *Zero to IPO: Over \$1 Trillion of Actionable Advice from the World’s Most Successful Entrepreneurs*.

⁸³² To give an example, Adam Neumann, despite shepherding one of the most ignominious failures in VC-backed startup history (WeWork), continues to receive investment from top VC firms for inchoate ideas with no discernible business plan. Female and ethnic minority entrepreneurs, on the other hand, remain systematically shut out. Lagorio-Chafkin, “As WeWork’s Adam Neumann Raises \$350 Million, Female Founders Call Foul.”

⁸³³ While the statistical evidence for this fact is overwhelming, I am here drawing a logical conclusion based on Feld and Mendelsohn’s (virtue signaling) claim that “some” VCs (like them) will fund all ages, genders, ethnicities, and experience. The implication, whether their own claim to virtue is true or not, would be that other VCs *do* exclude based on these markers. Feld and Mendelson, *Venture Deals*, 36.

⁸³⁴ Elizabeth Holmes, for example, the notorious charlatan founder of Theranos, got her initial entry and funding through famed VC Tim Draper, who was the father of her childhood friend Jesse Draper. The Draper name carries considerable weight in Silicon Valley (bordering on a dynasty), and with that stake, Holmes was officially “in.” See Carreyrou, *Bad Blood*, 15.

"It looks like a big city, but it isn't ... It's a very cliquish community, so for the younger entrepreneur it's hard to break in. You feel like you're right in the middle of it, but how do you get in it? The clubby-ness of it is hard."⁸³⁵

And it's not just the entrepreneurs who face this categorization of inclusion and exclusion, the same applies to other HC such as scientists and engineers. As one engineer puts it: "In this business there's really a network. You don't just hire people out of the blue. In general, it's people you know, or you know someone who knows them."⁸³⁶

But it is by virtue of this openness, however arbitrary, that we are limited in being able to describe SVC as a *system*. Rather, following Bourdieu, it would be better described as a *field*, for field captures the underlying essence of renewal and reproduction that I am attempting to articulate (in the literal sense of the word): a "field is defined by the fact that it is open ... [it] is a space whose very boundaries are called into question in the space considered."⁸³⁷ And it is on this last point that I want to linger—a field is a "*space of positions*" (emphasis added).⁸³⁸ It is a spatial arrangement subject to continuous movement through a dialectic of stasis and change which, in terms of SVC, pertains to the positionality of HC within the orbit of VC. VC and the

⁸³⁵ Suchman, "Dealmakers and Counselors: Law Firms as Intermediaries in the Development of Silicon Valley," 80.

⁸³⁶ Saxenian, *Regional Advantage*, 34.

⁸³⁷ Bourdieu, *Forms of Capital: General Sociology, Volume 3: Lectures at the Collège de France 1983-84*, 9.

⁸³⁸ Bourdieu, 8.

process to which it is bidden partakes in spatial contraction whereby HC is conditionally and arbitrarily invited and recycled.

It is this field of arbitrary openness that facilitates, on the one hand, an extreme lack of diversity in VC circles, and on the other, plausible deniability concerning its intentionality. No-one is *systematically* excluded—no, that would be wicked—but the fact remains that they are excluded in practice. Attending tech and startup conferences over the past several years for my research, I have been invariably struck by the fact that the engineers, scientists, and would-be entrepreneurs in attendance represent an extraordinarily diverse pool of social actors. And so, it is not puzzling that the authors of *The New Builders* (a VC and a business journalist) can claim that

“The dominant image of an entrepreneur as a young white man starting a tech business on the coasts isn’t correct at all. Today’s American entrepreneurs, the people who drive critical parts of our economy, are more likely to be female and non-white. In fact, the number of women-owned businesses has increased 31 times between 1972 and 2018 according to the Kauffman Foundation (in 1972, women-owned businesses accounted for just 4.6% of all firms; in 2018 that figure was 40%). The fastest-growing group of female entrepreneurs are women of color, who are responsible for 64% of new women-owned businesses being created.”⁸³⁹

Despite the fact these statistics *sound* wrong, they may be entirely true. But then, how do we account for statistics that suggest a gross lack of diversity in the industry? The

⁸³⁹ Taken from the blog of Fred Wilson, a VC. The fact that Wilson is a VC is crucial to understanding the context here. Wilson, “The New Builders.”

key is in what is *not* included in the above quote: VC. These statistics include entrepreneurs who are not VC-backed. In just the same way, the conferences I have attended are all places that entrepreneurs, scientists, and engineers go to as a means of *finding* VC, as a means of networking. They are therefore “pre-VC” actors, or actors lacking in VC money. It is as such VC, acting as gatekeeper, that perpetuates exclusion in SVC.

We are therefore talking about two related things: (1) a lack of diversity in VC, and (2) a lack of diversity in the ventures funded by VCs. Let us examine the first point. According to the VC Human Capital Survey run by Deloitte in conjunction with the NVCA, Black employees make up around 4 percent of all VC employees, Asian and Pacific Islanders around 18 percent, Hispanic employees around 7 percent, and the remainder are white. Around 47 percent of all VC employees identify as women, the vast majority of whom are white. If we limit the numbers to the investment partners at firms (i.e., senior decision-makers) Black and Asian/Pacific Islander figures are unchanged,⁸⁴⁰ Hispanic representation is halved (2 percent), and the percentage identifying as women falls to 19 percent (a 60 percent drop).⁸⁴¹ If we look at intersectional analyses, when accounting for women coming from ethnic or racial minorities the statistics degrade into farce.⁸⁴² Year on year, despite these surveys and a

⁸⁴⁰ These are unchanged, suggesting that Black and Asian/Pacific Islander employees are *only* investment partners and that Black or Asian/Pacific Islander people are otherwise generally not employed in the VC industry. This number may well relate to entrepreneurs who have built their own funds and started their own VC firms, thus creating their own investment partner role, rather than being recruited by a pre-existing firm.

⁸⁴¹ Deloitte, “VC Human Capital Survey.”

⁸⁴² One study showed that 99.97 percent of total capital under management by Black VCs was controlled by men, with women managing a mere 0.03 percent. “I knew the numbers would be bad but

great deal of virtue signaling in the VC community, the statistics remain all but unchanged. Everyone knows this is an issue, yet few are making concrete changes. The hollowness of intent (when expressed) has not gone unnoticed, with critics in the industry referring to it as little more than “diversity theater.”⁸⁴³ And indeed, academic research has shown that there is a boost in such signaling, including the temporary diversion of capital towards Black and Hispanic funds and initiatives, during periods of heightened racial awareness such as immediately after George Floyd was murdered by a Minneapolis police officer.⁸⁴⁴

Not shy of expressing so-called “contrarian” thinking, many in the industry have used this evidence of disingenuous performativity to attack and criticize diversity, equity, and inclusion (DEI) and environmental, social, and (corporate) governance (ESG) initiatives within the VC industry. In a 2023 survey run by Pitchbook assessing industry attitudes towards sustainable governance, respondents made the following points in their open-ended responses:

- ESG is subjective, and performance is difficult to substantiate.
- ESG requires sacrificing returns and constitutes a breach of fiduciary duty.
- ESG is redundant because it is already part of best practice.
- ESG distracts from the highest-priority issues and areas of potential impact.

they’re worse than I thought, particularly the delta between genders for Black and Asian VCs.” Sarah Kunst, managing director of Cleo Capital, quoted in Kokalitcheva, “How Much VC Money Has Gone to Black Investors, Startups.”

⁸⁴³ Davis, “Black VCs Could Face Bigger Hurdles in Venture Market Slowdown.”

⁸⁴⁴ Cassel, Lerner, and Yimfor, “Racial Diversity in Private Capital Fundraising.”

- ESG is mostly virtue signaling and rarely involves follow-through on the actions stated or implied by practitioners.⁸⁴⁵

For some, then, it is toothless; for others, it is impossible to quantify (which supposedly negates its usefulness and ignores the vast and damning available data); for many, it hurts the bottom line (which, again, supposedly negates its usefulness); and for the remainder, it's already being done (ignoring the obvious contradictory data on this issue). Ben Horowitz—in between making sweeping generalizations about women (they are more helpful than men) and African Americans (they are better at creating relationships), or praising Genghis Khan as the first “equal opportunity employer” (yes, really)—argues that diversity initiatives will kill inclusion and, of course, substitute social representation for corporate success—an unforgivable sin if ever there was one.⁸⁴⁶ In one instance, a conservative activist group tried to sue a VC fund that specialized in financing “women of color entrepreneurs,” an act so antithetical to the industry’s grandstanding around diversity that the NVCA felt motivated to write an amicus brief for the court in support of the defendants.⁸⁴⁷ In the brief, the authors write:

“[Diversity] disparities are not without cause. People of color, and Black women in particular, face significant barriers to entry. For one thing, the size and recruiting dynamics of venture capital firms affect who gets in the door. Firms “tend to be small,” with low turnover in senior roles, and NVCA’s most

⁸⁴⁵ Pitchbook, “PitchBook 2023 Sustainable Investment Survey.”

⁸⁴⁶ Horowitz, *What You Do Is Who You Are*, 173, 176.

⁸⁴⁷ Hinchcliffe and Abrams, “Anti-Affirmative Action Group Sues a Black Venture Fund”; NVCA, “Brief of the National Venture Capital Association and the Venture Capital Foundation as Amici Curiae In Support of the Defendants.”

recent survey found that 79% of respondents recruit by “rely[ing] on personal networks” which “tend to be homogenous and can lead to the exclusion of qualified professionals from underrepresented groups.” Leaders may be drawn to working and investing with individuals from their own demographic groups ... [which] can play a role when making an investment or hiring decision.”⁸⁴⁸

What makes this statement all the more remarkable is that it comes from an institution lobbying on the industry’s behalf.

The process of pattern matching and reverting to type has arguably been based in the VC industry since its origins and is a consequence of ongoing social and cultural capital reproduction.⁸⁴⁹ Sociologist AnnaLee Saxenian, for instance, writes in her masterful account of the rise of Silicon Valley that:

“collective identity was strengthened by the homogeneity of Silicon Valley's founders. Virtually all were white men; most were in their early twenties. Many studied engineering at Stanford or MIT, and most had no industrial experience.”⁸⁵⁰

⁸⁴⁸ NVCA, “Brief of the National Venture Capital Association and the Venture Capital Foundation as Amici Curiae In Support of the Defendants.”

⁸⁴⁹ Focusing on the “capital” component of both social and cultural capital, it is worth noting that due diligence performed on human capital is considered a risk assessment activity. Thus, where differences are observed (and misunderstood) the risk will appear high and an investor is liable to defer to type. Go with what you know thus becomes a risk reduction strategy. Smart, “Management Assessment Methods in Venture Capital.”

⁸⁵⁰ Saxenian, *Regional Advantage*, 30; Others make similar points. Nicholas, for example, recounts how Georges Doriot, a Harvard Business School professor often referred to as the “father of US venture capital” was “down-right bigoted,” systematically excluding women from his program and investment opportunities (See Nicholas, *VC*, 112–13); O’Mara, on the other hand, writes that: “[t]he Silicon Valley industry budged very little from the all-male, all-white, upper-middle-class demographics that it had at its start ... Why did these patterns persist, even as women and minorities made significant inroads into other professional domains? The explanation lies with the characteristic of the Valley VC community that set it apart from other regions ... its personal, tightly networked nature. Just like the broader Valley tech community, the region's first VC generation consisted of men who were alike in age, education, and temperament ... The entrepreneurs of the 1960s ... were, in fact,

Saxenian's claim is notable for two (arguably related) factors that go beyond (and intersect with) race and gender: specificity of place (Silicon Valley) and the social or cultural status afforded by selective educational institutions. There is a great deal of empirical and data-driven academic research to support these claims in relation to VC,⁸⁵¹ and other research has suggested the so-called homophilia driving such outcomes is both a cause and effect of (1) the kinds of social networks and capital I have been describing above, and (2) the spatial concentration of such networks around concrete geographical regions.⁸⁵² Table 3a.2 shows the top universities that VC investment partners attended, all of which could be reasonably described as "elite" institutions. Regardless of claims and evidence that admissions follow a blind and thus neutral process, data shows that students at institutions such as Stanford come from households with an average income exceeding twice the national average, suggesting the student body is comprised of students privileged by private schooling, private tutoring, or higher-than-average quality of public school education—all of which, in the US, are correlated with racial and ethnic privilege.⁸⁵³

much like the venture capitalists who financed them. The mind-meld between entrepreneurs and VC was both Silicon valley's great advantage and its greatest weakness." O'Mara, *The Code*, 75.

⁸⁵¹ Gompers and Kovvali, "The Other Diversity Dividend"; Bengtsson and Hsu, "Ethnic Matching in the U.S. Venture Capital Market"; Gompers and Wang, "Diversity in Innovation."

⁸⁵² McPherson et al., for instance, argue that while homophily in race and ethnicity creates the strongest divides in a social environment, age, religion, education, occupation, and gender follow in roughly that order, and geographic "propinquity" in social systems create the contexts in which homophilous relations form. McPherson, Smith-Lovin, and Cook, "Birds of a Feather," 415.

⁸⁵³ Harvard, Yale, Dartmouth, and University of Pennsylvania have even higher average household incomes, while Cornell, University of Chicago, MIT, and Columbia are all within the top 12. Stanford has the eighth highest income. See AISCH et al., "Economic Diversity and Student Outcomes at Stanford."

Ranking	VC Investment Partners (VC count)
1	Harvard University (484)
2	Stanford University (426)
3	University of Pennsylvania (225)
4	MIT (148)
5	Columbia university (100)
6	Yale (90)
7	Dartmouth College (90)
8	UC Berkeley (80)
9	University of Chicago (79)
10	Cornell University (63)

Table 3a.2 – Top Universities Attended by VC Investment Partners⁸⁵⁴

The lack of diversity in VC is not simply a lack of diversity within firms—though that, as we have discussed, is a major problem. It also relates to the lack of diversity in funds dominating the industry. According to one study examining 1074 funds that invested in US startups between 2014 and 2018, 68 percent of the capital raised was attributed to the top fifty funds alone. Add to this statistic the fact that nearly 90% of the decision makers at these firms were men and we see the problem exacerbated. This is not to

⁸⁵⁴ Jason Rowley, “Where Did Venture Capitalists Go to College?,” TechCrunch, March 11, 2018, <https://techcrunch.com/2018/03/11/where-did-venture-capitalists-go-to-college/>.

mention the obvious fact that the largest firms will hire the most elite employees who often obtain that status by virtue of their educational background.⁸⁵⁵ The problem can thus be traced back not merely to the GPs operating at VC firms, but also to the LPs funding those firms—the financiers behind the financiers. Not only could LPs do more to drive diversity programs in the industry, but GPs could do more to pool capital from diverse sources of income. University endowments, for example, constitute a major contributor to US VC funds, and yet predominantly elitist institutions take the lion’s share of returns from investments. Historically black colleges and universities (HBCUs) in this regard lag far behind, the consequence being that institutions producing a pipeline of underrepresented would-be entrepreneurs and VCs are denied access to the wealth creation of the industry, while elite, predominantly white *over*represented institutions are not. Thus, even behind the scenes, the VC industry is reinforcing a lack of diversity and elitist privilege in the pipeline of would-be (v)entrepreneurs.⁸⁵⁶

This is not mere speculation. Data confirms that the universities graduating the most billion-dollar startup founders (i.e., (v)entrepreneurs) closely correlates to the list of educational institutions attended by VCs themselves—Stanford, Harvard, MIT, UC Berkeley, Wharton School of Business (University of Pennsylvania), University of Southern California, Yale, University of Michigan, Columbia, UCLA, and so on. As the VC compiling the data remarks, “[p]eople who went to well-regarded universities

⁸⁵⁵ Selvakumar, “The Limits of Venture Capital as a Financier of Innovation.”

⁸⁵⁶ hbcumoney, “HBCU Money’s 2020 Top 10 HBCU Endowments.”

probably had an easier time getting the attention of brand name investors than those who went to lesser-known schools.”⁸⁵⁷ Where the data showed that unicorn founders did *not* attend an elite institution, it instead suggested that the founders benefited from geographical privilege, attending arguably lesser-known schools such as San Jose State University (SJSU), located just adjacent to the global epicenter of VC in Silicon Valley.⁸⁵⁸ Stanford, situated at the very center of Silicon Valley, has, perhaps unsurprisingly, been shown to graduate more technology company founders than any other US university.⁸⁵⁹ The exact distributions are detailed in Tables 3a.3, 3a.4, and 3a.5 below.

Rank	University	Founder Count	Company Count	Capital Raised (\$ billion)	List	Country
1	Stanford	1435	1297	\$73,547.18	Undergraduate	US
2	UC Berkeley	1433	1305	\$47,489.64	Undergraduate	US
3	Harvard	1205	1086	\$51,758.05	Undergraduate	US
4	University of Pennsylvania	1083	993	\$34,037.59	Undergraduate	US
5	MIT	1079	959	\$45,995.81	Undergraduate	US
6	Cornell	856	807	\$29,975.92	Undergraduate	US

⁸⁵⁷ Tamaseb, *Super Founders*, 36.

⁸⁵⁸ The engineering program at SJSU is particularly famed for its ability to produce top-drawer engineers who went on to be successful technology entrepreneurs. See Tamaseb, 35.

⁸⁵⁹ Brookman, Ferenstein, and Malhotra, “Predispositions and the Political Behavior of American Economic Elites,” 216.

7	Tel Aviv University	825	692	\$26,249.73	Undergraduate	Israel
8	University of Michigan	800	736	\$25,272.38	Undergraduate	US
9	University of Texas	742	677	\$15,835.12	Undergraduate	US
10	UCLA	639	615	\$17,184.74	Undergraduate	US

Table 3a.3 – Top Universities Attended by VC-backed Entrepreneurs (Undergraduate)⁸⁶⁰

Rank	University	Founder Count	Company Count	Capital Raised	List	Country
1	Harvard	1691	1562	\$75,571.88	MBA	US
2	Stanford	1092	993	\$52,489.43	MBA	US
3	University of Pennsylvania	1043	962	\$37,661.07	MBA	US
4	INSEAD	809	739	\$22,950.27	MBA	France
5	Columbia	760	712	\$24,829.16	MBA	US
6	Northwestern	696	662	\$19,003.41	MBA	US
7	University of Chicago	653	604	\$19,334.29	MBA	US
8	MIT	649	590	\$20,146.54	MBA	US

⁸⁶⁰ Rubio and Thorne, “PitchBook Universities.” Accessed March 13, 2024.

9	UC Berkeley	447	413	\$14,841.70	MBA	US
10	London Business School	406	378	\$8,628.57	MBA	UK

Table 3a.4 – Top Universities Attended by VC-backed Entrepreneurs (MBA)⁸⁶¹

Rank	University	Founder Count	Company Count	Capital Raised (\$ billion)	List	Country
1	Stanford	2731	2135	\$127,235.89	Graduate	US
2	MIT	1914	1474	\$75,181.12	Graduate	US
3	Harvard	1647	1406	\$75,928.43	Graduate	US
4	University of Cambridge	1156	961	\$29,322.77	Graduate	UK
5	UC Berkeley	1105	906	\$37,184.92	Graduate	US
6	University of Oxford	981	827	\$29,937.41	Graduate	UK
7	Columbia	912	821	\$27,215.06	Graduate	US
8	Carnegie Mellon	682	559	\$24,097.13	Graduate	US
9	Imperial College London	678	561	\$11,429.10	Graduate	UK

⁸⁶¹ Rubio and Thorne. Accessed March 13, 2024.

10	Cornell University	595	507	\$17,935.03	Graduate	US
----	--------------------	-----	-----	-------------	----------	----

Table 3a.5 – Top Universities Attended by VC-backed Entrepreneurs

(Graduate/Postgraduate)⁸⁶²

As can be seen, the US heavily dominates this industry, further emphasizing the importance of geography to both VC and VC-backed entrepreneurship. Furthermore, within any given region or state, the universities would all, without exception, be considered selective and elitist institutions.

The evidence therefore suggests that it is not so much a pipeline or availability pool issue when it comes to underrepresented entrepreneurs obtaining VC backing, but a pattern-matching bias—what I have already highlighted as being referred to as homophilia or mirror-tocracy. As Sarah Kunst, managing director of Cleo Capital, puts it “The pipeline is full, people just aren't backing diverse populations.”⁸⁶³

VC funds specializing in underrepresented entrepreneurs corroborate this experience, complaining that from their perspective there is *too much* demand for capital. Because there is little motivation on the part of LPs to diversify their investments, these funds are often smaller.⁸⁶⁴ They have less capital to invest and must thus turn down many promising ideas they would otherwise finance into being. Conspicuously and damningly correlating to the (under)representation of Black VCs in

⁸⁶² Rubio and Thorne.

⁸⁶³ Kokalitcheva, “How Much VC Money Has Gone to Black Investors, Startups.”

⁸⁶⁴ Aside from during times of high racial tension, although even then funds tend to go to the most prominent VC funds and firms—the same firms perpetuating diversity exclusions in the first place.

the industry, the share of US VC distributed to Black-founded startups in 2020 was just 3 percent of the overall deal volume.⁸⁶⁵

And when we look beyond racial or ethnic minority populations, the story remains the same. Women-led firms, for instance, consistently receive a small proportion of overall VC backing (2 percent in 2018 by one estimate), and when they do receive funding are given significantly less capital than requested when compared to their male counterparts.⁸⁶⁶ This despite the fact that women-led firms accounted for 22 percent of startups in the same year.⁸⁶⁷ LGBTQ+ communities, on the other hand, are so marginalized they are not even accounted for in any of the major studies done on VC and VC-backed firms, despite the percentage of US adults identifying with this category doubling in the period from 2012 to 2022 (from 3.5 percent to 7.1 percent).⁸⁶⁸ Also typically excluded are VCs and VC-backed entrepreneurs who have disabilities, suffer from mental health issues, or come from diverse socioeconomic backgrounds (i.e., class-based exclusions).⁸⁶⁹

The simple fact to be gleaned from this data is that diverse startups exist and want capital. They just can't get it. Thus, while VCs and VC-backed entrepreneurs are fond of quoting William Gibson in reference to technology—"The future is already

⁸⁶⁵ Firms specializing in investments for Black-owned startups include Backstage Capital, Precursor Ventures, and MaC Venture Capital. "Black Founders."

⁸⁶⁶ Male founders are estimated on average to receive 52 percent of the capital requested whereas women receive only 25 percent. Chang, *Brotopia*, 7, 155.

⁸⁶⁷ FSC Majority Staff, June 30, 2022, Task Force on Financial Technology Hearing entitled, "Combatting Tech Bro Culture: Understanding Obstacles to Investments in Diverse-Owned Fintechs."

⁸⁶⁸ Knickerbocker, "39 LGBTQ+ Founders, Entrepreneurs and VCs You Should Know"; "Percentage of LGBTQ Adults in U.S. Has Doubled over Past Decade, Gallup Finds."

⁸⁶⁹ Brodnock and Lenhard, *Better Venture*, 7–8.

here, it's just not very evenly distributed"—the evidence suggests it is not so much the technology (which, note, I treat as all but synonymous with HC in the context of VC) that is unevenly distributed as the capital behind it.⁸⁷⁰ We should say instead that the capital is here, it's just not evenly distributed as such.

Perhaps one of the greatest ironies, contradicting claims (above) that ESG and DEI hurt the bottom line, is that data suggests time and again that diversity initiatives actually *improve* financial outcomes. Some have even argued, contrary to the opinions voiced above, that if a VC does not actively pursue diversity they are failing in their fiduciary responsibilities.⁸⁷¹ Or, put more simply, the industry's lack of diversity is a missed opportunity for value capture.⁸⁷² For some, this means diversity issues should be framed as a financial rather than an ethical issue. Reid Hoffman, for example, writes: "[r]ather than hire people who 'fit' your culture in superficial ways—whether based on gender or race or alma mater—hire people who are additive to your culture."⁸⁷³ That is, diversity takes on a value proposition from an investment standpoint. Diversity, for Hoffman, is an opportunity to learn unfamiliar sectors and products, and the cultures that engendered them. It is, he says, not just about ethics, but performance—it is an opportunity to harvest contrarian, differentiated perspectives, leading to unique value

⁸⁷⁰ See, for example, Marc Andreessen quoted in Friend, "The Mind of Marc Andreessen."

⁸⁷¹ "There's a debate in the US on whether you're actually serving your fiduciary responsibility if you do ESG ... The people we hear from in Europe say, 'You're not serving your fiduciary responsibility unless you're using ESG.' It's a completely different perspective over there." Hilary Wiek, PitchBook senior strategist quoted in Bursleson, "Politics-Driven US ESG Debate Creates Sustainable Investing Challenge."

⁸⁷² Yousif, "Lack of Diversity Is a Missed Opportunity for VC Industry."

⁸⁷³ Hoffman and Yeh, *Blitzscaling*, 234.

capture opportunities.⁸⁷⁴ Thus, when diversity initiatives *do* appear they descend into a kind of “diversity capitalism” akin to what Nancy Leong has called “racial capitalism,” where investing in minority-led industries, as has been the case with FemTech or BlackTech drives, or targeting minority populations with overhyped products, as has been the case with cryptocurrencies, has become part of a strategy of value capture, an attempt at virtue signaling with the intent of attracting consumers and harvesting returns.⁸⁷⁵ Sadly, when such disingenuous efforts fail, it is the underrepresented populations who are harmed rather than the investors themselves.⁸⁷⁶

All of this is predicted by theorizations of social capital and, given the gatekeeping role of VC, is thus explainable by what I am calling Social *Venture Capital*. Writing on the topic of social capital, albeit in a different tone to Bourdieu, economist Glenn Loury succinctly encapsulates the problem of arbitrary openness to SVC, and the role that social capital (which is one of the rewards of entry) plays in this. He writes:

“[The] notion, that in a free society each individual will rise to the level of his or her competence, conflicts with the observation that no one travels that road entirely alone. The social context within which individual maturation occurs strongly conditions what otherwise equally competent individuals can achieve. This implies that absolute equality of opportunity, where an individual’s chance to succeed depends only on his or her innovate capabilities, is an ideal that cannot be achieved.”⁸⁷⁷

⁸⁷⁴ Hoffman, “Reiding into the Masters of Scale.”

⁸⁷⁵ Leong, “Racial Capitalism.”

⁸⁷⁶ Parramore, “How the Crypto Hustle Carries on America’s Shameful History of Racial Inequality.”

⁸⁷⁷ Loury, “A Dynamic Theory of Racial Income Differences,” 176.

And indeed, the pattern matching demonstrated by the various examples given above and supported by academic research⁸⁷⁸ is predicted by theories of social capital that suggest

“ethnic [and other identity-based] niches will emerge when a group is able to colonize a particular sector of employment in such a way that members have privileged access to new job openings, while restricting that of outsiders.”⁸⁷⁹

The fact remains, however, that data quite evidently will not drive change by itself. Diversity in VC matters more than in most industries because VCs are kingmakers of industry, and as such are gatekeepers to the future of global society, culture and politics. These unaccountable actors—largely comprised of white, elite-educated, males—set the agenda for us all by virtue of SVC. As futurist Lucie Greene writes: “they are shaping culture and yet do not interact with people outside their socioeconomic group ... these are not people who walk among us, so it’s unclear if they can represent the wider population at large.”⁸⁸⁰

To partake in SVC, then, implies inauguration into a privileged financial and social class of agents, and yet, this class arrangement—like the nobility of old—is not

⁸⁷⁸ Franke et al., “What You Are Is What You like—Similarity Biases in Venture Capitalists’ Evaluations of Start-up Teams”; Bengtsson and Hsu, “Ethnic Matching in the U.S. Venture Capital Market.”

⁸⁷⁹ Portes, “Social Capital,” 13.

⁸⁸⁰ Greene, *Silicon States: The Power and Politics of Big Tech and What It Means for Our Future*, 16–17.

without obligations. This is what Castells refers to as network power (Table 3.1). In essence, the fulfillment of these obligations is not only a condition for entry into the domain of SVC, but also to maintain continued membership and association. We have seen that inclusion implies exclusion, for SVC is only arbitrarily open to all. But inclusion also implies normalization and enculturation.⁸⁸¹ It is the basis of reproduction in the class of actors that I refer to as SVC, a system of reproduction that, as we saw in Chapter 1, reproduces subjects with particular motivations, proclivities, and goals.⁸⁸² Indeed, it is the very essence of norm reproduction that failure to adopt norms will result in exclusion.⁸⁸³ Trust, initially derived from pattern matching and homophilia, must be sustained through the inculcation and reproduction of norms, and only exists because the obligations necessary for SVC are enforceable through the threat of exclusion.⁸⁸⁴ This is what makes Greene's question not only accurate, but also disturbing. If the kingmakers of VC demand norms and obligations that merely reproduce cultures of behavior and these cultures propagate through entrepreneurial ventures out into the world, are we not bearing witness to a massive process of deworlding, by which the unique and local cultures of the world are being erased in

⁸⁸¹ Sometimes this screening occurs even *before* HC gets to VC, in order to preserve the norms of VC investment through referrals. This is all part of SVC: "Over time a gatekeeping system seems to be emerging, in which law firms use influence on resource flows [i.e., HC flows] to screen out entities that challenge Silicon Valley's structural or behavioral taken for granted or that otherwise threaten community cohesion." Suchman, "Dealmakers and Counselors: Law Firms as Intermediaries in the Development of Silicon Valley," 87; Sharon Zukin notes that incubators and accelerators perform a similar "gatekeeping" function, sorting startups for VC prior to solicitation. Zukin, *The Innovation Complex*, 17.

⁸⁸² Butler, *Psychic Life of Power*.

⁸⁸³ Portes, "Social Capital," 6.

⁸⁸⁴ Portes, 9.

favor of an elitist exclusionary culture of capitalist desire? The conclusion to be drawn is that change cannot come from within. As the authors of *Better Venture*, a social scientific study of DEI and ESG in VC put it: “Change by insiders is limited in terms of the scope of what they can achieve without being cut down and out.”⁸⁸⁵

⁸⁸⁵ Brodnock and Lenhard, *Better Venture*, 309.

[CHAPTER 3b]

S.V.C. (Second and Third Overdeterminations)

Silicon Valley Culture and the Silicon Valley Consensus

"The network of supporting infrastructure in Silicon Valley is the most sophisticated outside Wall Street. The catalyst for that network is the venture capital community, which has evolved to become a strategic planner, management consultant, and corporate watchdog. The network is put to work for new companies and many members of the network have been well honed on dozens of startups ... In fact, one of the reasons ... many companies do succeed is because the network goes to work to help companies survive: they help them find new customers, they help them do refinancing, they help them find new managers if necessary, they help them merge with other companies to be successful."⁸⁸⁶

~Regis McKenna, speaking to U.S. Congress in 1984

“As I see it, the most important way of encouraging venture capital is to promote an entrepreneurial spirit in the country – people must feel it is a good

⁸⁸⁶ Regis McKenna, quoted in Kenney and Florida, “Venture Capital in Silicon Valley: Fueling New Firm Formation,” 101.

thing to be an entrepreneur to build something that the world wants, and to become wealthy.”⁸⁸⁷

~Kenneth Rind, interviewed in *Handbook of Research on Venture Capital*, p.49.

“[I]t’s important and worth noting: we [Mark Pincus and Reid Hoffman] both live in the San Francisco Bay Area. Physical proximity is actually one of the best predictors of the strength of a relationship, many studies show.”⁸⁸⁸

~Reid Hoffman, *The Startup of You*, p.102.

“[T]he reproduction of the dominant ideology is not simple repetition, simple reproduction. It is not even automatic ... Rather, it is the combat for the unification and renewal of *prior ideological elements*, which are disparate and contradictory, within a unity conquered in and through the class struggle in opposition to prior forms and new antagonistic tendencies. The combat for the reproduction of the dominant ideology is a combat that is never over; it has to be taken up again and again, and always under the law of the class struggle.”⁸⁸⁹

~Louis Althusser, *On the Reproduction of Capitalism*, p.219.

I: SILICON VALLEY CULTURE

In the last chapter, the general argument was that underpinning the growth (G) mechanism of the VC process lies the accumulation and valorization of human capital

⁸⁸⁷ Kenneth Rind, former (corporate) venture capitalist and academic, interviewed in Murray, “Venture Capital and Government Policy,” 49.

⁸⁸⁸ Hoffman and Casnocha, *The Start-Up of You*, 102.

⁸⁸⁹ Althusser, *On the Reproduction of Capitalism*, 219.

(HC) resources. The broader theme underlying this discussion, in contradistinction to the arguments presented in Part I, was that the growth process is not merely temporal, but spatial in its arrangements. That is, the accumulation and valorization of HC implies the organization of subject-objects captured (i.e. recruited) and circulated through spatially organized social networks, and in particular, through the concentrated nodal points controlled by VC gatekeepers of various standings and influence. At times, this argument hinted at not merely the general spatial significance of such phenomena, but at its specificity in terms of place. Stated differently, for social and cultural capital to be renewed and reproduced efficiently, regardless of the availability of communications technology that can theoretically overcome geographical distance, it is deemed a necessary requirement that the substrata of these networks—financial and human capital—be densely and topologically arranged. Stated differently, financial, human, social, and cultural capital are contracted not merely in abstract space, but in concrete place.

The goal of this chapter is to show how VC dictates this arrangement. Building upon the anti/establishment framework introduced in Chapter 2, section one explores Silicon Valley (conceptualized as both idea and place) in ideological terms, attempting to dispel myths about widespread libertarianism while contextualizing the contemporary muddle of ideas circulating around Silicon Valley in light of its legal, political, industrial, and cultural history.

In the second section, I argue that the accumulation of HC, along with the legitimization of this accumulation into the fold of the entrepreneurial hierarchy and

SVC class arrangements of equity ownership, produces something of a Silicon Valley Consensus (SVC). Drawing an allusion to the “Washington Consensus” associated with top-down neoliberal reforms and best practices, as well as bottom-up ideological configurations of individualism and the entrepreneurial self, my argument suggests that technology entrepreneurship is increasingly being seen as a panacea for the world’s ills—both real and manufactured—and that not only does this entice young minds who would have previously been engaged in political or social activism into the industry as a means of achieving their aspirations, but it also encourages political entities to promote initiatives aimed to imitate the Silicon Valley ideal. In this sense capitalism, driven forward by VC, is able to co-opt and re-channel its oppositional forces, further cementing the hegemonic supremacy of capitalist social being.

To conclude, I draw upon the work of Louis Althusser to show how the signifier SVC forms a complex structured whole; an overdetermined articulation where all meanings of “SVC” come together in a system that amounts to nothing less than an encroaching materialist ideology.

Silicon Valley as *Eidos* and *Topos*

“Silicon Valley is a mindset, not a location.”⁸⁹⁰

~Reid Hoffman

⁸⁹⁰ Quoted in Waters, “Reid Hoffman, Mr LinkedIn.”

“Silicon Valley is no longer a place in Northern California. It is a global network, a business sensibility, a cultural shorthand, a political hack. Hundreds of places around the world have rebranded themselves Silicon Deserts, Forests, Roundabouts, Steppes, and Wadis as they seek to capture some of the original’s magic.”⁸⁹¹

~Margaret O’Mara, *The Code*, p.2

The epicenter of global VC, and with it VC-backed entrepreneurship, is the region in Northern California known as Silicon Valley.⁸⁹² Although, technically, the term Silicon Valley applies to a group of cities located in the Santa Clara Valley (e.g., Palo Alto, Menlo Park, Mountain View, Sunnyvale, Cupertino, San Jose), it has over time come to signify the broader San Francisco Bay Area covering 10 sizable counties.⁸⁹³ While VC firms, just like the countless VC-startups operating in the region, are dispersed throughout the Bay Area, Sand Hill Road has, since around 1972 when Kleiner Perkins opened their offices there, been the physical and symbolic epicenter of global VC.⁸⁹⁴ Paralleling Wall Street’s relationship to global finance, Sand Hill Road constitutes a cluster of firms so crucial to the history and continued reproduction of VC that it has become a synecdoche for the industry. In fact, substituting Wall Street for Sand Hill Road, we can practically transplant anthropologist Karen Ho’s description of the former onto the latter:

⁸⁹¹ O’Mara, *The Code*, 2.

⁸⁹² The moniker “Silicon Valley” was first coined by journalist Don Hoeffler in *Electronic News* on January 11, 1971.

⁸⁹³ San Mateo, Santa Clara, Alameda, Contra Costa, San Francisco, Santa Cruz, Marin, Solano, Napa, Sonoma

⁸⁹⁴ Mallaby, *The Power Law*, 68.

“By [Sand Hill Road], I mean the concentration of financial institutions and actor-networks [VCs, startups, law firms, specialist banks, potential acquirers] that embody a particular financial ethos and set of practices, and act as primary spokespeople for the globalization of US [venture] capitalism.”⁸⁹⁵

Alternatively, as Scott Kupor puts it in his book *The Secrets of Sand Hill Road*, “Sand Hill Road ... holds as much promise for entrepreneurs as Hollywood Boulevard does for actors, Wall Street does for investment banks, and Music Row does for country music artists.”⁸⁹⁶ Yet, despite these claims, Sand Hill Road itself is home to only a handful of the most prominent VC firms. To give a generous estimate, PitchBook data lists 664 VC firms headquartered in the three cities overlapping Sand Hill Road (Menlo Park, Palo Alto, Woodside), out of 46966 global VC firms, 3162 of which are headquartered in the Bay Area.⁸⁹⁷

The point is that Sand Hill Road and Silicon Valley are both as much symbols and *ideas* as they are places, and just as the signifier “Sand Hill Road” stands in for Silicon Valley (and occasionally global) VC, so too does the signifier Silicon Valley stand in for Bay Area, and often global, VC-backed entrepreneurship. Stanford University Literature professor Adrian Daub refers to this as “*pars pro toto* ‘Silicon

⁸⁹⁵ “By Wall Street, I mean the concentration of financial institutions and actor-networks (investment banks, pension and mutual funds, stock exchanges, hedge funds and Private Equity firms) that embody a particular financial ethos and set of practices, and act as primary spokespeople for the globalization of US capitalism.” Ho, *Liquidated*, 4.

⁸⁹⁶ Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 1.

⁸⁹⁷ “Pitchbook Data.”

Valley’”—a part taken as a whole.⁸⁹⁸ And yet, in addition to this, Silicon Valley and Sand Hill Road are also templates, or models, for instantiation around the globe.

To capture the ambivalence of this imagined and concrete geography, we need to understand Sand Hill Road and Silicon Valley as both *eidōs* and *topos*. These terms, although commonly translated as “idea” and “place,” capture far more than is immediately apparent. *Eidōs*, for instance, means not merely “idea,” but also “form,” “type,” “essence,” or “species,” and in anthropology refers to the cognitive or intellectual character of a culture or social group. *Topos*, on the other hand, means not merely “place,” but also refers, in literature, to the employment of traditional theme or formula (i.e., reproduction, adherence to process), and in rhetoric, to “turning points” (i.e., points of conversion) and topics of persuasion.⁸⁹⁹ All of these meanings apply to Silicon Valley and Sand Hill Road as I describe them here. However, because in the following pages I will make the argument that VC, represented by the *eidōs* and *topos* of “Sand Hill Road,” acts as a gravitational force sustaining geographical ties to place in the startup and innovation economy—even when such *topoi* are globally dispersed—I shall, unless necessary, use the term “Silicon Valley” to denote to the *eidōs* and *topos*

⁸⁹⁸ Daub, *What Tech Calls Thinking*, 8.

⁸⁹⁹ Writing about Aristotle’s use of the term *topos*, Christof Rapp notes that “most of the Aristotelian *topoi*, in particular most of the dialectical *topoi* of the *Topics*, are general instructions saying that a conclusion of a certain form can be derived from premises of a certain form ... one *topos* can be used to construe several different arguments or arguments about different contents.” For our purposes here, we can take this to mean that the *topos* “Silicon Valley” can be used to *persuasively* induce other forms of the same, each with different contents. This accords with Robyn Klinger-Vidra’s argument that global instantiations of Silicon Valley employ “contextual rationality” so as to produce local innovation hubs that both transport and *transform* norms to meet the local context in which they take form. The notion of persuasiveness will be revisited in the section below entitled “The Silicon Valley Consensus.” See Soanes and Stevenson, “Eidos”; Soanes and Stevenson, “Topos”; Rapp, “Aristotle’s Rhetoric”; Klinger-Vidra, *The Venture Capital State: The Silicon Valley Model in East Asia*, 17–47.

associated with both Sand Hill Road (VC) and Silicon Valley (VC-backed entrepreneurship). The term “Silicon Valley,” for my purpose here, overlaps with both Sand Hill Road and globally dispersed clusters of concentrated VC and VC-backed entrepreneurial communities (Figure 3b.1).

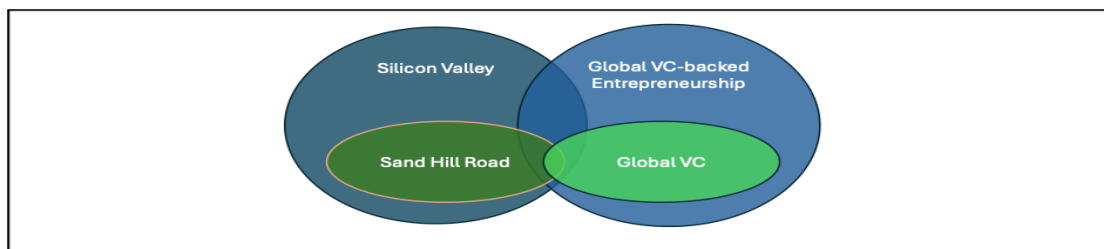


Figure 3b.1 – Synecdoches Silicon Valley and Sand Hill Road (Source: Author)

To speak, then, of Silicon Valley, is to speak not merely of an idea and place, but of an *ideal kind* of place—a place full of risk-takers willing to exchange income for equity, and VCs willing to broker these deals and to manage the various social networks of specialists that make Silicon Valley-esque regions into “clusters.” As the entrepreneur Frederic Kerrest puts it:

“Tech founders who aren’t already in a major hub like San Francisco, Berlin, or Hong Kong, often wonder whether they should relocate to one of those places. The arguments in favor of doing so are well known: These centers have concentrations of tech talent you won’t find elsewhere. You’ll also be closer to investors and get plugged into a network where you’re more likely to meet

people who can help you. For example, I personally met Marc Andreessen at a mutual friend's birthday party, long before Todd and I pitched him.”⁹⁰⁰

Thus, for all of its idealization and dispersion as a model, Silicon Valley itself, the place in Northern California, has real value as a physically located place of concentrated HC interactions. Corroborating older arguments about the frictional effects of space on time in terms of the speed of capital circulation, Silicon Valley—and almost anywhere that attempts to imitate it—pertains to a densely arranged geographical locale where interfirm networks can engage in the rapid exchange of HC and HC outputs (i.e., knowledge flow) along with opportunities for investment syndication.⁹⁰¹ The *eidos* of Silicon Valley, then, requires *topos*, and as the source model for all other instantiations, Silicon Valley in Northern California remains the ideal to be imitated. It is, as one scholar has put it, the “source model ... to learn from and also held as policymakers’ ultimate aim.”⁹⁰²

As it happens, Silicon Valley was itself originally an imitation of Boston’s innovation and technology cluster “Route 128.” According to AnnaLee Saxenian, in attempting to emulate Route 128, Silicon Valley inadvertently transformed Boston’s original template into the winning, Northern Californian formula we are today familiar with.⁹⁰³ In the present, this process occurs whenever and wherever global regions

⁹⁰⁰ Chapter 8, Kerrest, *Zero to IPO: Over \$1 Trillion of Actionable Advice from the World’s Most Successful Entrepreneurs*.

⁹⁰¹ Sorenson and Stuart, “Syndication Networks and the Spatial Distribution of Venture Capital Investments.”

⁹⁰² Klingner-Vidra, *The Venture Capital State: The Silicon Valley Model in East Asia*, 122.

⁹⁰³ Saxenian, *Regional Advantage*, 12.

attempt to use the Silicon Valley *eidos* to create their own *topos*. Figure 3b.2 illustrates just a small sample of these attempts.⁹⁰⁴

Political Economist Robyn Klinger-Vidra has coined the term “contextual rationality” to describe the process whereby local normative contexts integrate with the source model (*eidos*) to create something *sui generis*.⁹⁰⁵ These norms are not simply legal and political, but also economic and cultural. Clusters tend to form, for example, around universities and research laboratories where the flow of HC is bountiful, and investment thrives where and where political stability is evident (political risk produces investment risk). But not all regions adopt the same economic norms as the US and Silicon Valley. As outlined in the introduction, relaxation of the “prudent man” rule in ERISA allowed pension funds to invest in high-risk financial vehicles such as VC, and carried interest rules in the US allow VC investments to avoid double taxation while also benefiting from particularly low long-term capital gains tax rates. Not all regions or states wishing to imitate the valley are willing to adopt such measures, operating with far less permissible tax and regulatory policies.⁹⁰⁶ Some regions, such as Europe and Japan, have economic cultures that privilege bank-issued debt over equity-based investment when it comes to corporate finance, and in each of these contexts Silicon Valley is reproduced in a unique, and arguably less perfect way.⁹⁰⁷

⁹⁰⁴ I have limited this illustration to global regions that have adopted the prefix “Silicon.” Many exist that do not use this prefix, and many have likely emerged (both with and without the prefix) since this figure was drawn.

⁹⁰⁵ Klinger-Vidra, *The Venture Capital State: The Silicon Valley Model in East Asia*, 17–47.

⁹⁰⁶ Klinger-Vidra, 4.

⁹⁰⁷ Landström, *Advanced Introduction to Entrepreneurial Finance*, 26.

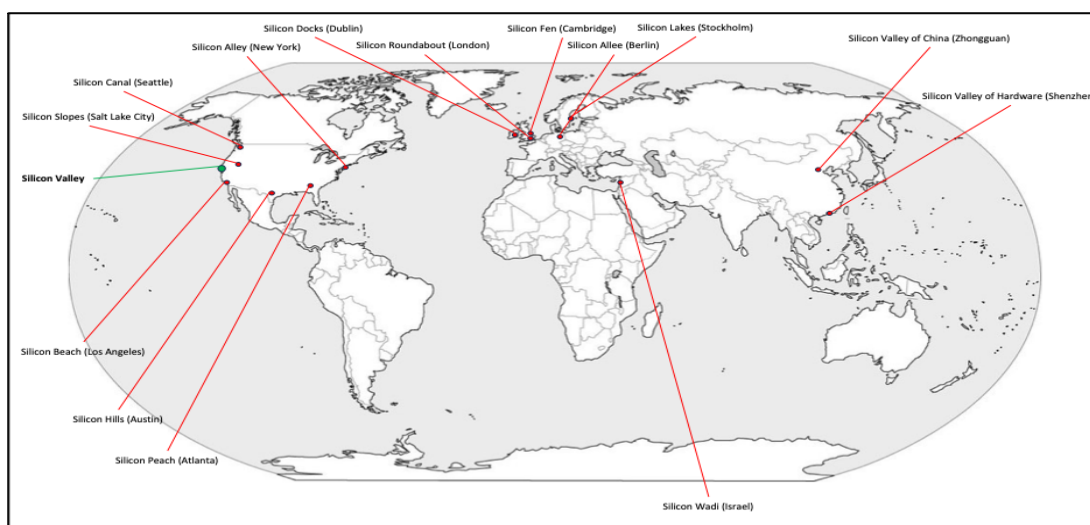


Figure 3b.2 – Silicon Valley Imitators Around the World (Source: Author)⁹⁰⁸

Even within the US, no region has been able to emerge as a genuine threat. The closest competitor would be New York (Silicon Alley), with the two regions having the highest density of VC capital concentration in the US (and thus the world), and yet New York still lags behind Northern California.⁹⁰⁹ Additionally, many New York-based VC portfolios are comprised of Californian startups, with one researcher suggesting up to *half* of these investments may be, on average, composed of Silicon Valley-based firms.⁹¹⁰ In a similar vein, it is common for global VC hubs to produce massive startups that go on to relocate to the US—sometimes even Silicon Valley—to take advantage of the economic environment; in particular, to go public on US exchanges (e.g., the NASDAQ) so as to maximize the payout for all equity-owning parties involved. It

⁹⁰⁸ Map accurate as of March 13, 2024.

⁹⁰⁹ Stanford, “VC Capital Concentration.”

⁹¹⁰ Zukin, *The Innovation Complex*, 125.

would seem, therefore, that for all the global dispersion of VC and VC-backed entrepreneurship, both practices (which are, as we know, symbiotic) whenever possible spatially contract towards the US and Silicon Valley.

Venture Capital and the Making of Silicon Valley

Why, though, does Silicon Valley—and if not Silicon Valley then the US at large—hold such gravitational sway over global VC and VC-backed entrepreneurship? One explanation is SVC. On the one hand, Silicon Valley and its US-based imitators operate unwaveringly according to the equity principle of corporate finance. On the other, Silicon Valley has the greatest Social Venture Capital on offer anywhere in the world along with the densest network of circulating HC. Thus, the US holds a special privilege in global entrepreneurship, and Silicon Valley holds a privilege within the US.

It could also be argued that Silicon Valley is a triumph of economic, legal, and cultural factors, each of which serve as a reproductive mechanism to this specific *topos* that stands alone in terms of global VC-backed entrepreneurship. We saw in the introductory chapter, for instance, how California's non-compete employment policies created a legal environment conducive to HC mobility, how it created an environment wherein employees of large firms in possession of niche technical expertise could

easily transition (as employees or founders) into entrepreneurial startups that would compete with those larger firms.⁹¹¹ Many of these larger firms, at least in the early (1950s and 1960s) period of Silicon Valley's history, were a product of large government contracts given to high-tech firms to help build and maintain US technological supremacy during the early stages of the Cold War, and thus there is an economic context to the emergence of Silicon Valley that cannot be ignored.

But perhaps the most significant factor distinguishing Silicon Valley from all the rest is the emergence of its particular brand of VC that has become the template for almost any serious imitator today. Indeed, research has shown that any region wishing to establish a startup and innovation ecosystem—a cluster or group of clusters—would be well advised to begin by nursing a local VC industry into being, ideally in the general region of strong STEM-oriented universities and research laboratories.⁹¹² As we have seen, the “problem” that VC is purported to solve is the so-called “financing gap” between entrepreneurial ideas and capital required to realize them. Thus, building a VC industry in the region of institutions responsible for producing ideas would appear rational and effective. Especially if, as has long been the case with Stanford University, it is an express goal of that institution to produce knowledge for commercial purposes.⁹¹³ However, as I attempted to show in the last chapter, VC is not merely a *financial*, but also a *social* capital system. Therefore, part of the goal of fostering a

⁹¹¹ Nicholas, *VC*, 192–93.

⁹¹² See John Doerr in Griffin, *A Dozen Lessons for Entrepreneurs*, 106; See also Ferrary and Granovetter, “The Role of Venture Capital Firms in Silicon Valley’s Complex Innovation Network.”

⁹¹³ Saxenian, *Regional Advantage*, 22.

local VC industry is to provide switches or routing points for networks of potentially valuable heterogeneous elements within in a region, concerting them towards the goal of capturing, connecting, and circulating HC (producing HC “liquidity”) and of commercializing new ideas so that the region might become economically competitive on a global scale.⁹¹⁴ VC is therefore the glue bonding such regions into sustainable clusters of industry.

This dual function as financial and social capitalists constitutes what is perhaps Silicon Valley’s most crucial historical innovation. Comparing Route 128 with Silicon Valley, AnnaLee Saxenian has argued that what permitted Silicon Valley to eclipse its predecessor was the culture of finance underpinning it. Put simply, Route 128 had a VC industry created by old school bankers whereas Silicon Valley had a VC industry created by STEM-trained entrepreneurs. Whereas Silicon Valley VCs could figuratively roll their sleeves up to get involved as HC resources in the startups they were financing (or to find the right HC resources through their professional networks), Boston-based VCs could *only* provide financial capital and expertise and were thus unable to inculcate the best practices of startup culture.⁹¹⁵ Exemplifying a characteristic lack of openness to innovation, these Boston-based establishment firms—and what is more “establishment” than the banking system?— were too socially and technically conservative to even countenance the kind of radical antiestablishment firms that were emerging and getting funded on the West coast. What made Silicon Valley different

⁹¹⁴ This is the function that Castells refers to as “network making power.” See Table 3.1. See also Saxenian, *Regional Advantage*, 39.

⁹¹⁵ Saxenian, 64–65; O’Mara, *The Code*, 111.

was that it was former entrepreneurs—notably, the traitorous eight (see Introduction)—who, having made significant money at the first try, went on to fund a new generation of entrepreneurs following a similar path. These *ventrepreneurs* had literally broken away from a large establishment firm (e.g., Shockley Semiconductors) to disrupt the establishment from the outside through their startup (e.g., Fairchild Semiconductors), and were encouraging others to do likewise. Thus what makes Silicon Valley unique, right up to the present day, is that its VC industry emerged out of the region’s technological industry rather than the other way around.⁹¹⁶ A virtuous circle emerged in which entrepreneurial success gave rise to wealthy elites (the Stratified Venture Class) who went on to become VCs to fund a new generation of entrepreneurial successes and VCs. As O’Mara et al. put it, “entrepreneurs from one generation ... become investors in the next.”⁹¹⁷ And so this cycle of exclusive prosperity continues.

Because this cycle of prosperity largely excludes the public (i.e., non-accredited investors), as well as non-elites and entrepreneurs coming from minority communities, it has become itself a separate, relatively impenetrable establishment entity. And yet, because it is also the essential resource for antiestablishment forces looking to disrupt the establishment, it exists in that ambivalent state of anti/establishmentarianist existence outlined in Chapter 2. That is, the Silicon Valley model of VC wherein *ventrepreneurs* become VCs has become institutionalized as a normative economic and cultural recipe for success, the playbook for all aspiring regions to imitate.

⁹¹⁶ Saxenian, *Regional Advantage*, 39.

⁹¹⁷ O’Mara, Ngu, and Ma, “Opinion | Lyft’s I.P.O. Is Making the Same Circle of Men Rich, Again.”

One of the reasons this model has been so successful is that it externalizes startup culture into a professional community.⁹¹⁸ VCs, who are often former startup entrepreneurs, understand this culture, and as VCs holding together the networks of an industrial region they promote that culture beyond the confines of any given startup. One way this occurs is through the principle of co-opetition, wherein discrete competing firms (VCs and startups) share resources and knowledge to aid the reproduction of the industrial region as a whole, indirectly aiding their own deal flow.⁹¹⁹ Another is through the rapid circulation of HC, both within and between networks. Just as HC resources *within* a startup often wear many hats and move between roles, so too in Silicon Valley do HC resources frequently move between firms.⁹²⁰ This flexibility opens the entire region up to knowledge flows and spillovers not possible in other locations.⁹²¹ In a word, it has allowed Social Venture Capital to flourish. Whereas other similar regions or different industries favor stability and security, in Silicon Valley *change* is the culture underpinning everything (except, of course, when it comes to VC, which is notoriously resistant to change when it comes to its own process or arrangements). It is therefore VC that, on the one hand, provides stability and stasis to the region and industry, and on the other hand, the culture of entrepreneurship that it encourages that produces change and disruption. It is VC, and

⁹¹⁸ Saxenian, *Regional Advantage*, xi.

⁹¹⁹ Swartz and Newhall, Co-Opetition; Cohen and Fields, "Social Capital and Capital Gains: An Examination of Social Capital in Silicon Valley," 193–95.

⁹²⁰ Saxenian, *Regional Advantage*, 34.

⁹²¹ Chesbrough has described this as an "Open Innovation" paradigm. See Chesbrough, *Open Innovation*, xxiv; See also Gilson, "Engineering a Venture Capital Market."

especially VC in the Silicon Valley mold, that provides the basis of reproduction and renewal and the figuration of anti/establishment practices that I have been describing.

The agility and frequency of change, especially in relation to the circulation of HC, is one explanation, furthermore, as to how VC is able to slow down capitalist accumulation (i.e., the path from M to M' via the general formula for VC) while not violating investor interests. Just as VC slows down realization, it intensifies and speeds up the rate of change and product iteration, in part by speeding up the circulation and valorization of HC. The emphasis, as Saxenian puts it, is on agility rather than stability;⁹²² the effect, as Reid Hoffman puts it, is on blitzscaling and hypergrowth.⁹²³

Silicon Valley Culture (SVC)

We have, then, a sense of how VC infects the culture of Silicon Valley and how it makes this region somewhat particularly unique. But this description gestures towards the structure of Silicon Valley culture rather than its content, and therefore gives only an incomplete picture. To have a broader understanding, we must decode the *eidos* behind the *topos*—and not simply in terms of its *business* culture of VC-backed entrepreneurship, but also in terms of its ideological character; in terms of the norms, beliefs, and ideals that determine the *ends* towards which the *means* of VC-backed entrepreneurship are mobilized.

⁹²² Saxenian, *Regional Advantage*, 80.

⁹²³ Hoffman and Yeh, *Blitzscaling*, 291.

For Peter Thiel, what makes Silicon Valley unique both historically and geographically is the fact that it has combined the innovation process—which is unremarkable in itself—with the principle of value capture. That is, unlike the innovators of old (Thiel cites the Wright Brothers), Silicon Valley, through the equity principle inherent to the VC process, permits technologists to get wealthy.⁹²⁴ It is the same principle that I have been arguing renders these agents HC in the VC process and makes ventpreneurs of embedded entrepreneurs. Thus, it perhaps goes without saying that one of the key ends towards which Silicon Valley actors gravitate is the achievement of wealth through technological innovation, a statement that is hardly surprising and accords with the image of Silicon Valley in popular culture.⁹²⁵ But what is it that makes Silicon Valley itself so unique in terms of its ideas and culture?

To approach this question, it is necessary to understand the norms and obligations that I have argued are to be reproduced as a condition of continued access or membership to SVC, what the authors of one article have referred to as the “predispositions” of technology entrepreneurs in Silicon Valley and beyond.⁹²⁶ Such norms are simultaneously regulative, constitutive, and evaluative, and may be used interchangeably with terms such as social convention, custom, social practice, or

⁹²⁴ Notably, Thiel refers to the innovators who capture value as a “class” of people. *How Peter Thiel Knows If A Startup Is Crazy Smart, Or Just Crazy* | *Disrupt SF* 2014.

⁹²⁵ The culture of Silicon Valley was even satirized in an HBO sitcom entitled *Silicon Valley*. Ridiculous as the show often is, many of its themes and narratives are based on real phenomena and events in the region.

⁹²⁶ While the authors of this article did not limit their survey of “technology entrepreneurs” to Silicon Valley, they are all affiliated with Stanford University at the heart of Silicon Valley and, as part of their research, included the attitudes of Stanford undergraduates, noting that the university graduates more technology company founders than any other university. Broockman, Ferenstein, and Malhotra, “Predispositions and the Political Behavior of American Economic Elites.”

culture.⁹²⁷ They give rise to shared identities that transcend the interests of individual actors or firms and, when drawn together (or contracted), produce the culture we are seeking to explain.⁹²⁸ It is the effect of these norms and obligations to facilitate self-recognition within a Silicon Valley *Culture* (SVC) and thus to produce subjects who, responding to the injunctions of this culture—which is formally encoded in term sheet incentives and informally reproduced through a field of Social Venture Capital that allows for the continued circulation of such subjects—reproduce SVC (now with a triple overdetermination) as faithfully as they can for fear of otherwise being excluded.⁹²⁹ And in reproducing SVC with its norms and obligations, in dwelling within a social field in which the self is recognized in the other, the subject is navigating a spirit of existence that we might feasibly describe as ideological—as grounded not *simply* in norms and obligations, but as wedded to them for its continued existence, as producing law-like structures that necessitate the policing of self and other that invariably reduces itself to the basic principle of E—G—E’, the equity-growth playbook of VC investment.⁹³⁰ It is ideological, furthermore, in the sense that it pertains

⁹²⁷ See Klinger-Vidra, *The Venture Capital State: The Silicon Valley Model in East Asia*, 8, 19.

⁹²⁸ Saxenian, *Regional Advantage*, 30.

⁹²⁹ Says Judith Butler: “The subject is compelled to repeat the norms by which it is produced, but that repetition establishes a domain of risk, for if one fails to reinstate the norm ‘in the right way,’ one becomes subject to ... sanction, one feels the prevailing conditions of existence threatened” Whereas for Althusser, this is the Althusser, *On the Reproduction of Capitalism*, 190; Butler, *Psychic Life of Power*, 28.

⁹³⁰ Even when institutional VC (the type I have been concerned with in this dissertation) is not involved, the equity-growth playbook is an expected norm and obligation. This applies whether someone is bootstrapping (i.e., taking no outside funding), taking Angel Financing, or is in contract with a CVC. In every case, E—G—E’ is the goal for both founders and, almost invariably, for early employees.

to an insular system of ideas and rules that, feeling itself superior, seeks to extend its core worldviews onto the world at large.⁹³¹

In thinking of SVC as ideological, however, we are necessarily led to the question of what this ideology is, and whether it possesses a recognizable label or character. While the equity-growth playbook provides a description of the internal norms and obligations expected of SVC participants, it does little to tell us about the external norms and obligations that SVC projects to society and the world at large. In thinking about the external social environment that SVC seeks, it is undeniable that an element of anti-political—i.e., anti-state and anti-government—ideology pervades the attitudes and “predispositions” of its participants. As Broockman et al. write:

“[T]echnology entrepreneurs’ opposition to government regulation can be traced at least partly to positive predispositions toward markets and entrepreneurship—predispositions we also show are already evident in a sample of [Stanford] undergraduate computer science majors who have demonstrated interest in joining the industry in the future.”⁹³²

⁹³¹ Given the closed nature of SVC circles, especially *within* VC firms, there tend to be only gradual changes in the management teams of these firms. This implies that the collective knowledge acquired and reproduced by these VC actors (themselves a category of HC resources) is relatively stable and that the opportunities for a renewal of thought or action are limited. Stubborn, conservative worldviews tend to be reproduced rather than renewed and old biases are hard to eradicate. According to the *Handbook of VC Research* (Volume 2) this may lead to distinct benefits such as “the development of a shared mindset, coordination routines and collective memory.” In terms of the radicality of many startups wishing to disrupt the economic and social fabric, however, it produces something of a contradiction to be explained. See De Clercq and Dimov, “Venture Capital Firms: A Human Capital Perspective,” 108.

⁹³² Broockman, Ferenstein, and Malhotra, “Predispositions and the Political Behavior of American Economic Elites,” 216.

The immediate temptation, then, might be to describe SVC as libertarian in principle, and indeed many characterizations of Silicon Valley Culture pursue this line of thought. However, to describe SVC as libertarian is both lazy and imprecise. No doubt, Silicon Valley figures such as Peter Thiel, Marc Andreessen, and Balaji Srinivasan have all publicly declared an affection for libertarianism—Srinivasan once even called for Silicon Valley to secede from the US (or to threaten secession) if the government did not stop interfering in their business affairs, arguing that the US would eventually beg them to come back with all sorts of libertarian concessions (e.g., tax and regulation breaks). However, the reality is that they each constitute a relatively isolated, albeit influential, voice within a larger society of less zealous views.⁹³³ Furthermore, leaving aside the fact that many self-ascribed libertarians seem to lack a basic understanding of their own philosophy, or, when they do, simply pick and choose the elements that benefit them most, the plain fact of the matter is that many SVC actors support, on the one hand, the kind of liberal (i.e., “left-wing”) social and global redistributive policies that are an anathema to libertarian sentiments, and on the other, conservative (i.e., “right-wing”) regulatory policies that are not.⁹³⁴ At best, then, we might say that

⁹³³ Srinivasan’s argument, outlined in an infamous speech at Stanford’s Y Combinator Startup School in 2013 entitled “Silicon Valley’s Ultimate Exit” proposed a system of “competitive governance” whereby libertarian communities that had broken away from the US metropole could negotiate with states for better regulatory and tax conditions in exchange for their contributions to economic growth. According to Raymond Craib, this is the standard playbook for libertarian exit: find alternative territory outside of the metropole, establish a presence in that territory, produce a society so appealing that its members help to sway the metropole to change its ways. The point is that the libertarian alternative community is not necessarily the end in itself, but rather one means of changing the metropole to better accommodate libertarian desires. This theme will be taken up further in the next chapter during the discussion of frontier strategies in new market space. See Craib, *Adventure Capitalism*, 218; Balaji Srinivasan at *Startup School 2013*.

⁹³⁴ Broockman, Ferenstein, and Malhotra, “Predispositions and the Political Behavior of American Economic Elites,” 222.

members of the SVC have what the geographer Richard Walker has colorfully described as a libertarian “tinge,” an ideological perspective that is at once “socially liberal [and] economically conservative.”⁹³⁵ Thus, the libertarianism of SVC pertains more to its business practices than its social world. That is, the agents of change within SVC want *commercial* spaces uninhibited by state interference (i.e. regulations and taxes) where they can stamp their authority (i.e. monopolize) in the pursuit of self-aggrandizement and discrete influence while not necessarily eschewing the social benefits a state can offer (e.g., redistribution, national security, policing, enforcement of private property rights, etc.). In the next chapter I shall argue that it finds these spaces in “market space,” and in particular, through alternative dimensions of space made accessible by innovation.

This view, based as it is on extensive data, corroborates earlier claims made by the authors of *The Californian Ideology*, a 1995 essay originally appearing in *Mute* magazine that was later reprinted as part of the collection *Crypto Anarchy, Cyberstates, and Pirate Utopias*. According to the authors, the Californian Ideology is not simply anti-state, but lends its support to the libertarian ideals of countercultural “hippies.” As the authors put it:

“[T]he Californian Ideology is a profoundly anti-statist dogma. The ascendancy of this dogma is a result of the failure of renewal in the USA during the late '60s and early '70s. Although the ideologues of California celebrate the libertarian individualism of the hippies, they never discuss the political or

⁹³⁵ Walker, *Pictures of a Gone City*, 365.

social demands of the counter-culture. Individual freedom is no longer to be achieved by rebelling against the system, but through submission to the natural laws of technological progress and the free market.”⁹³⁶

The aim of this ideology, then, is to break away from the state by forming autonomous zones *within* the state, where freedom of commerce is uninhibited and facilitated by technology. This, I maintain, is an accurate description of Silicon Valley Culture. It not only captures the specificity of a peculiar *Northern* Californian culture, the 1960s counterculture, but also of the contemporary myopia within this region concerning the liberatory potential of capitalism, entrepreneurship, and technology.

Fred Turner, in his book *From Counterculture to Cyberculture*, traces the transformation of this Northern Californian “counterculture” into a *fin de siècle* cyberculture that, I would argue, is merely one dimension of a broader Silicon Valley Culture. For Turner, this tradition is not an outgrowth of the New Left, as the authors of *The Californian Ideology* suggest, but rather emerged as a product of the technology-enabled countercultural communities formed around a countercultural periodical known as *The Whole Earth Catalog* (WEC).⁹³⁷ The WEC promoted self-sufficiency through technology, and enabled many “off the grid” communities to sustain themselves through the relatively free exchange of ideas, techniques, and technology:

“Readers who wrote in also celebrated entrepreneurial work and heterarchical forms of social organization, promoted disembodied community as an

⁹³⁶ Barbrook and Cameron, “The Californian Ideology.”

⁹³⁷ Turner, *From Counterculture to Cyberculture*, 208.

achievable ideal, and suggested that techno-social systems could serve as sites of ecstatic communion.”⁹³⁸

For the innovators that succeeded them in the 1970s, the generation that gave rise to Steve Jobs and Steve Wozniak (Apple Computing), computer technology in particular offered a form of political rebellion that did not actually need to rebel against the political system. Rather, it offered an opportunity to give individuals access to technological capabilities that had previously been sequestered by the bureaucracies of governments and large universities.⁹³⁹ It offered them a space away from the space of the state—a kind of digital non-state enclave.

Of course, by this stage, such enclaves were no longer envisioned as spaces of left-libertarian hippy-like communes but were rather inherently dominated by capitalist interests, both indirectly and directly facilitated by the emergence of VC as means of growth and global distribution. Thus, just as the counterculture was a reaction against the bureaucracy of the state and of large universities (an antiestablishment movement if ever there was one), it also later embraced capitalism as an alternative and as such—inadvertently or not—adopted the principles of this alternative establishment as its guiding ethos. The counterculture, therefore, on its journey of transformation into the cyberculture Turner describes, developed into precisely the image of anti/establishmentarianism I have associated with SVC. This has led even sympathetic commentators such as Sebastien Mallaby to note that, whatever else it may be, Silicon

⁹³⁸ Turner, 73.

⁹³⁹ Turner, 133.

Valley Culture is an inherently *contradictory* culture, one that is not about invention (no single geography dominates that) but about how “counterculture combines with the frank lust for riches” (as exemplified by Steve jobs among others).⁹⁴⁰

The essence of Silicon Valley Culture, then, interpreted from an ideological perspective, entails a contradictory mix of—for lack of better terminology—conservatism on the one hand, and radicalism on the other. It is, in a word, a strange brew of conservative radicalism. This term, as awkward as it may appear, usefully captures Silicon Valley’s simultaneously conservative and radical history—conservative as a result of early public investment of the military industrial complex, radical as a result of the countercultural reaction *against* this military industrial complex; conservative in its later embrace of a pro-business ideology associated with the American Right, radical in its desire to use business and free markets as a way of breaking away from the institutionalized (i.e., government) American Right.⁹⁴¹ At the center of this ideology, both in history and geography, lies the VC industry that initially replaced the US government as the chief investor behind military industrial complex investment and later became the engine of technology-enabled free market capitalism.

Not only does the term “conservative radicalism” capture the anti/establishment framework I have been describing, but it also captures the way in which VC acts as a conservative shell encasing the more radical actions of its embedded (v)entrepreneurs.

⁹⁴⁰ Mallaby, *The Power Law*, 20–21.

⁹⁴¹ Saxenian argues that while the military was the primary source of finance to innovation industries in the 1950s and 1960s, with the advent of the Vietnam Conflict VC investment replaced the military as a leading source of finance in the early 1970s. Saxenian, *Regional Advantage*, 17, 26.

One way of conceptualizing this conservatism is to think of it as the conservation of capital. Embedded (v)entrepreneurs want to grow their business, achieve some vision for the world, and make money along the way; VCs want little more than to grow their *portfolio* and to recoup more money—ideally a lot more—than was invested.⁹⁴² They encourage radicalism as a means of achieving power law, or “long-tail,” returns such that the entire fund may be returned in excess of its outlay, but at the same time act to cut loose underperforming firms or constrict the amount of working capital any given startup has to operate with as a means of reducing risk and thus of conserving the overall value of the portfolio and fund. As one VC puts it, “[i]t’s not about ideas, it’s about making things happen ... Truth is, young creative minds don’t need more ideas, they need to take more responsibility with the ideas they’ve already got.”⁹⁴³ Because VC acts as the gatekeeper to hypergrowth for technology-oriented entrepreneurship, it acts as the almost unavoidable conservative presence amidst the radical ideas of SVC entrepreneurs and thus comprises at least one half of the ideology underpinning Silicon Valley Culture.

This almost schizophrenic balance between opposing forces also permits a temporal transition for ventpreneurs to move from their more radical pursuits as the

⁹⁴² Empirical evidence shows that early-stage (seed and startup) funds tend to be managed by GPs with a STEM or entrepreneurial background while late-stage *growth* funds are dominated by GPs with a background in financial services. During these later stages the emphasis is on steady growth rather than radical speculative growth, thus we might say that the emphasis shifts from a less to more conservative radicalism as exit approaches. See De Clercq and Dimov, “Venture Capital Firms: A Human Capital Perspective,” 113; Geoffrey Moore describes this latter stage as a precarious “crossing of the chasm ... a time to forego eccentric marketing genius in favor of informed consensus .. not a time for dashing and expensive gestures but rather careful plans and cautious rationed resources” Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 8.

⁹⁴³ Scott Belsky quoted in Ferriss, *Tools of Titans*, 361.

founding members of startups, into the more conservative role of VC. Just as their ideas dry up, their stock of accumulated capital becomes in need of conservation and growth.

As the VC Fred Wilson admits,

“[t]he role of venture capitalists is to be great opportunists. The visionaries are the entrepreneurs. I gave up my visionary hat when I moved to California and became a venture capitalist in the late ‘80s.”⁹⁴⁴

It is a perfect pursuit for once-were ventpreneurs to become VCs investing in the next generation. And as an added bonus, it gives the VCs investing in radical ideas—despite their conservative bent—an aura of legitimacy in the eyes of young(er) (v)entrepreneurs. As Adrian Daub has observed, they ((v)entrepreneurs) are basically them (VCs), just several years older.⁹⁴⁵ Thus they are able to impart their norms (and obligations) with hegemonic authority, ensuring the reproduction of those norms—SVC—among a new generation of aspiring bright-eyed founders.⁹⁴⁶ At a more formal level of interpretation, this is precisely the meaning of $HC' + HC = HC''$ as outlined in the last chapter. Conservative radicalism is, therefore, little more than an ideological description of the process of renewal and reproduction that I have been arguing constitutes the essential *effect* of VC within the broader system of global capitalism.

⁹⁴⁴ Quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 307.

⁹⁴⁵ Daub, *What Tech Calls Thinking*, 14.

⁹⁴⁶ Zukin, *The Innovation Complex*, 100.

II: THE SILICON VALLEY CONSENSUS

Conservative radicalism and anti/establishmentarianism, being labels that VCs and VC-backed entrepreneurs would not typically ascribe to themselves, will only take us so far in decoding Silicon Valley Culture. These terms operate, it might be said, at a deeper—perhaps even hidden—level of analysis than is common to SVC discourse. At a surface level, however, it is impossible to ignore the dominance of science and technology—or more accurately, of *innovation*—as the focus of attention in SVC and its variously dispersed instantiations. Specifically, it is impossible to ignore the sense of techno-utopianism that pervades the ideas, and thus ideology of SVC. Science and technology—or the know-how of their application as embodied by HC—constitute the radical element of renewal underpinning the conservation of social power that is capitalist reproduction. The application of science and technology to practical tasks—i.e., *invention*—mobilized by the investment of capital with the aim of commercialization constitutes the practice of contemporary innovation.⁹⁴⁷ And it is innovation that, at a surface level, embodies the ideological ethos of SVC.

I describe this as an *ethos*, because for many innovation is presented as an ethical pursuit. Innovation has come to be seen as a panacea, as a solution to all the world's ills, and implicit to this image is the role of capital as the only conceivable means of growing and distributing innovations around the world. Thus, when we talk

⁹⁴⁷ Godin, *The Idea of Technological Innovation*, 70.

about innovation and all the benefits it can bring to global society, we are unwittingly or not also extolling the virtues of capitalism in a kind of ideological bait and switch.

And so, when Marc Andreessen writes in *The Techno-Optimist Manifesto* that

“[o]ur civilization was built on technology. Our civilization *is* built on technology. Technology is the glory of human ambition and achievement, the spearhead of progress, and the realization of our potential ... We have the tools, the systems, the ideas. We have the will. It is time, once again, to raise the technology flag. It is time to be Techno-Optimists,”⁹⁴⁸

it can be easy to forget that Andreessen is a billionaire VC who made (and continues to make) his fortune from innovation; that he can be optimistic about the future of innovation because he stands to benefit disproportionately from its realization. A better clue to what underpins this unwavering faith in capital-fueled innovation is found later in the manifesto:

“We [the techno-optimists] believe everything good is downstream of growth ... [and] the only perpetual source of growth is technology ... We believe free markets are the most effective way to organize a technological economy ... Profits are the incentive for producing supply that fulfills demand ... We believe the market economy is a discovery machine, a form of intelligence – an exploratory, evolutionary, adaptive system.”

⁹⁴⁸ Andreessen, “The Techno-Optimist Manifesto.”

This is no fringe view. Whether it be other VCs such as Vinod Khosla,⁹⁴⁹ policymakers in East Asia,⁹⁵⁰ or the President of the United States (Barack Obama once publicly expressed an interest in becoming a VC),⁹⁵¹ the relationship between innovation and the common good, and the underlying notion that capitalism is the means by which to accelerate this good into being, has entered into the realm of common sense to produce one final overdetermination of the term SVC: the Silicon Valley Consensus.

By speaking of a Silicon Valley Consensus I am intentionally invoking an allusion to the Washington Consensus, a term that, while often used as a synonym for neoliberalism, more accurately reflects the institutional and geographical locus of policymaking underpinning it. Matt Sparke defines neoliberalism as “an approach to governing capitalism that emphasizes liberalizing markets and making market forces the basis of economic coordination, social distribution, and personal motivation.”⁹⁵² It is a political rationality that promotes reordering of social and political life according to the logic of market capitalism, including bottom-up ideological configurations of entrepreneurial individualism and subjectivity.⁹⁵³ The Washington Consensus, on the other hand, is not simply a neoliberal consensus—although it is that is in part what it is about—but, rather, the concrete political machinery that backs it. What makes the Washington Consensus a “consensus” is its hegemonic influence over global economic and social policymaking reform. The content of this consensus dictates a one-size-fits-

⁹⁴⁹ Mallaby, *The Power Law*, 2.

⁹⁵⁰ Klinger-Vidra, *The Venture Capital State: The Silicon Valley Model in East Asia*.

⁹⁵¹ O'Mara, *The Code*, 374.

⁹⁵² Sparke, *Introducing Globalization: Ties, Tensions, and Uneven Integration*, 454–55.

⁹⁵³ Foucault, *The Birth of Biopolitics*; Brown, “Neo-Liberalism and the End of Liberal Democracy.”

all approach to reforming national economies experiencing economic distress. It refuses to take account of the unique historical conditions of any given regional entity, and—even when it fails—remains steadfast in its recommendation of the same neoliberal policies over and over again.⁹⁵⁴ It is furthermore composed of a set of prescriptions that almost always disproportionately benefits the ruling classes of global capitalism and the Global North.

In a similar but nonidentical way, the Silicon Valley Consensus pertains to a set of general ideas about how the world should be organized—techno-utopianism and the idea of innovation as a panacea; the equity-growth playbook; VC-backed “tech” entrepreneurship—while gesturing towards an institutional locale in the form of Silicon Valley (the institutional basis of which is the VC industry that bonds it together). This time, however, it is not the policies of states or intergovernmental organizations (IGOs) that is to guide and enforce the realization of these ideas, but rather of the state’s opposite, what is colloquially known as “the market” (what Matthew Watson has persuasively argued is but one more codeword for neoliberalism and the inevitability of its realization).⁹⁵⁵

The market thus becomes, in correspondence with the neoliberal political rationality, the space of the anti-state—it is the domain of material life that the state is not to interfere with. It is that realm of social life that almost every social contract

⁹⁵⁴ Sparke describes these prescriptions as the “10 commandments of neoliberalism.” They are: (1) liberalize trade; (2) privatize public services; (3) deregulate business and finance; (4) cut public spending; (5) reduce taxes on business; (6) encourage foreign investment; (7) de-unionize; (8) expand exports; (9) reduce inflation; and (10) enforce property rights (e.g., patents). Sparke, *Introducing Globalization: Ties, Tensions, and Uneven Integration*, 6.

⁹⁵⁵ Watson, *The Market*.

theory stipulates is to be interfered with only for the purpose of protecting private property rights and which otherwise must be left to free and uninhibited exchange. And it is within this domain that the Silicon Valley Consensus takes hold, arguing—with the justification of its achievements which appear retrospectively obvious—that technology and capital (i.e., “tech entrepreneurship”) are to be the guiding social (but not political) rationality. Innovation becomes the solution to all problems—technical, social, economic, cultural and political—from education, to climate change, to welfare payments, and everything else.⁹⁵⁶ SVC sees problems everywhere, and is steadfast in its prescription that there is a novel proprietary product that can finally, once and for all, solve it.⁹⁵⁷ Moreover, SVC becomes the solution for policymakers looking to revitalize stagnant economies, a winning formula (or model i.e., *eidos*) for any global region (*topos*) looking to realize regional (or national) transformation, industrial growth, and global competitiveness. When it comes to SVC, everyone wants in (see Figure 3b.2).⁹⁵⁸ Thus, just as the Washington Consensus dictates a political rationality in which market logic comes to dominate everything, the Silicon Valley Consensus dictates a social logic in which entrepreneur-led innovation—and with it, VC—comes to dominate market space and the solution to all of global society’s ills.

Unlike the Washington Consensus, the Silicon Valley Consensus—corresponding to what Daniela Gabor has referred to as the “Wall Street Consensus”—

⁹⁵⁶ Greene, *Silicon States: The Power and Politics of Big Tech and What It Means for Our Future*, 172–73; Doerr, *Speed & Scale*; Chow, “What to Know About Worldcoin and the Controversy Around It.”

⁹⁵⁷ Daub, *What Tech Calls Thinking*, 47.

⁹⁵⁸ Klinger-Vidra, *The Venture Capital State: The Silicon Valley Model in East Asia*, 3.

should be understood as a template (*eidos*) for social action, rather than a political, economic, and social straitjacket.⁹⁵⁹ It is this sense of being a model that one may freely opt in to, may implement “bottom-up” fashion rather than being imposed top-down, that gives SVC its legitimacy. It is socially (and politically) necessary in the sense that alternative ways of solving society’s problems are gradually being eclipsed by the SVC juggernaut, and yet it is not socially necessary in the sense of being dictated by states, governments, and IGOs. Thus, while there seems to be no comparably effective alternative to the SVC model of economic growth and social renewal, this prescription does not appear with the same imposing force of Thatcher’s neoliberal policymaking injunction: “There is no alternative!” (TINA). Rather than manifesting as TINA *doctrine*, SVC appears to the world as TINA best practice.⁹⁶⁰ And yet, to implement a regional transformation in the spirit of SVC necessarily involves the enlistment of policymaking disciples and thus of political action. As Sidney Rothstein has written, “[w]hile the Silicon Valley model may have become common sense, it nonetheless has a politics ... where non-existent technologies drive economic growth after the proposed policies are adopted.”⁹⁶¹ It is, as such, a hegemonic formation in which the predictions (rather than prescriptions) of SVC are presumed to lead to economic growth and thus—although first and foremost benefiting SVC—to the seeming benefit of policymakers who would adopt such a model:

⁹⁵⁹ Gabor, “The Wall Street Consensus,” 432.

⁹⁶⁰ “TINA” is an abbreviation for “there is no alternative” and pays reference to Thatcher’s 1980s doctrine of neoliberal policy reforms in the UK and abroad.

⁹⁶¹ Rothstein, “Toward a Discursive Approach to Growth Models,” 1216.

“Acting *as if* the [SVC] model were true intensified the complementarity among tech’s and VC’s interests, increased tech’s contribution to economic growth, and, as some of its predictions became descriptions of empirical regularities, the Silicon Valley model became common sense.”⁹⁶²

The effect is a curious spatial dispersal of insularity. The source model for all global instantiations—the *eidos* and *topos* that is Silicon Valley, a place in Northern California—is by design local in its operations, even as it pursues global market domination. As Adrian Daub writes from first-hand experience,

“[o]ne thing that surprised me ... is just how local these ideas are ... the localism is pretty remarkable given that one of the great achievements of this industry has been to open up the world in hitherto-unimaginable ways.”⁹⁶³

At the heart of this local-global model is VC and the field of SVC it engenders. Some, for example, have spoken of a “20 minute rule” for VC investment, whereby any startup that is not within 20 minutes of the VC’s office—regardless of their promise—will simply not be funded.⁹⁶⁴ And it is this same SVC *eidos* that is used for any given SVC *topos* around the globe. In fact, by one estimate, greater than 50 percent of all new

⁹⁶² Rothstein, “Toward a Discursive Approach to Growth Models,” 1217.

⁹⁶³ Daub, *What Tech Calls Thinking*, 14.

⁹⁶⁴ Cumming and Dai, “The Role of Geographic Proximity in Venture Capital,” 897; Stross, “It’s Not the People You Know. It’s Where You Are.”

ventures in the US are located within 233 miles of their VC's offices.⁹⁶⁵ As Doug Leone of Sequoia Capital has put it, "if you're in Cleveland, we cannot help you."⁹⁶⁶

Nevertheless, the world of SVC still gravitates back towards the master *topos*. The ironic outcome of many efforts to reproduce SVC is that the global ambitions of its local investments drives those firms to either relocate to the US—and, of course, where better to go than Silicon Valley?—or get acquired by a US firm (which, as we saw in Chapter 2, will often be a previously VC-backed firm).⁹⁶⁷ The simple fact remains that the master *topos* in Northern California reigns supreme.⁹⁶⁸ It is home to the largest number of billion-dollar startups in the world and persists as the primary locus of VC investment enabling this trend to continue.⁹⁶⁹ All roads to the Silicon Valley Consensus lead back to Silicon Valley.

Effects of the Silicon Valley Consensus (SVC)

To speak of a consensus is to imply widespread agreement among a group or several groups of actors. To whom, then, is the Silicon Valley Consensus addressed, and within which groups does it find acceptance and implementation?

⁹⁶⁵ Cumming and Dai, "The Role of Geographic Proximity in Venture Capital," 929.

⁹⁶⁶ Quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 201.

⁹⁶⁷ Klinger-Vidra, *The Venture Capital State: The Silicon Valley Model in East Asia*, 142; Scheer and Rose, "Israeli Tech Startups Flock to US amid Uncertainty at Home."

⁹⁶⁸ Patel, "Global VC Ecosystem Rankings."

⁹⁶⁹ Tamaseb, *Super Founders*, 99; Kokalitcheva, "Axios Pro Rata"; Mathur, "The Meteoric Rise of US Unicorns in 2021 - PitchBook."

We know from the previous discussion that SVC appeals to governments and states wishing to revitalize their economies. Part of this motivation arises from the very locality of SVC that I have been describing. Because VC money and networks are concentrated in a relatively small set of global locations—and ultimately in Northern California—regional financing gaps have emerged that lead to a form of “brain drain” where the best and brightest young minds up and leave for one of these regions in order to make their fame and fortune.⁹⁷⁰ This, then, is one reason why VC is considered a necessary precondition for the instantiation of the SVC *eidos* in an alternative *topos*; to encourage a local innovation economy it is necessary to have the financial capital to support it.⁹⁷¹ To do this, policymakers should, as best practice, implement permissive bankruptcy laws, non-compete employment laws, and enticing tax incentives to attract this financial capital. When legal conditions vary, so too do local instantiations of SVC. As described above, this is arguably one reason—along with culture, political stability, and prevailing economic conditions—why Silicon Valley itself remains so unique and global instantiations must be understood as imitations rather than replicas of the SVC *eidos*. Silicon Valley’s early financial conditions were facilitated by a permissive legal framework. Early successes led to the formation of a VC community made up of entrepreneurs who produced a system of Social Venture Capital that continues to reinforce its own early successes. Thus, one explanation for why SVC *topoi* around the

⁹⁷⁰ Some states and regions have used this to their advantage, setting up permissive regulatory jurisdictions where ventures that would be illegal elsewhere can proceed uninhibited thereby attracting foreign HC. See Thierer, *Evasive Entrepreneurs & The Future Of Governance*, 73; Avdeitchikova, “The Geographic Organization of ‘venture Capital’ and ‘Business Angels,’” 175.

⁹⁷¹ Klinger-Vidra, *The Venture Capital State: The Silicon Valley Model in East Asia*, 2; Armour and Cumming, “The Legislative Road to Silicon Valley,” 596.

world vary so much is due to underlying differences in the macro-legal structures of their implementation.⁹⁷²

As we know, however, VC also brings social (venture) capital into the picture, and thus it is little surprise that the establishment of a local VC industry actually tends to increase the demand for VC. When VC clusters exist, entrepreneurs and other HC flock to them. As a result, a whole network of actors including accountants, bankers, and lawyers emerge with demands for *even more* VC as a means to buttressing their own fields of commerce. Consequently, the demand for VC (and SVC) increases wherever VC already exists.⁹⁷³ VC produces its own realization.

But even if policymakers were able to create the favorable legal and financial conditions to encourage a nascent VC industry, this, as we know, is only one half of the picture, for VC is incomplete without a steady flow of HC (entrepreneurs, engineers, scientists, and so forth) inculcated to the SVC mindset. SVC must find consensus not merely among policymakers, then, but also among the HC agents of its realization. Thus, perhaps further explaining the inherent *locality* of SVC, the conditions to encourage VC investment necessarily depend on proximal access to universities, research laboratories, and science parks—so-called innovation *clusters*.⁹⁷⁴ That is, VC depends on the production of new talent to feed it; to both renew and reproduce its underlying content.

⁹⁷² Samila, “Regional Impact of Venture Capital,” 801.

⁹⁷³ Mason, “Venture Capital: A Geographical Perspective,” 100.

⁹⁷⁴ Bains, *Venture Capital and the European Biotechnology Industry*, 141.

To do this, SVC entails an old strategy: capturing hearts and minds. This is the essence of its function as a consensus among HC. SVC is an *ideal* (*eidos*) romanticized as embodying the society and culture of certain *places* (*topos*). And what is this ideal? We know that the culture is a hybrid of capitalist wealth seeking (which, as David Harvey notes, is synonymous with social power) and innovation optimism (and utopianism), and thus there are three ways in which this ideal is framed to young minds: (1) science and technology are cool, you love science and technology, why don't you do this for a living?; (2) wealth (capital) is the means by which you can make science and technology your vocation; (3) technology and innovation are synonymous with progress.⁹⁷⁵ Collectively, these claims operate as a syllogism with the conclusion that innovation (i.e. the commercialization of invention) is the means by which you can use technology and innovation to change the world for the better. For Louis Althusser, this is the basis of an ideology's material existence:

“An individual believes in God, Duty, Justice, or the like [capital, liberty, markets, individuality]. This belief has its source ... in that individual's ideas, and thus in her as a subject possessed of a consciousness containing the ideas of her belief. On this condition – that is, given the perfectly ideological ‘conceptual’ dispositive thus established (a subject endowed with consciousness in which she freely forms or freely recognizes ideas in which she believes) – the (material) comportment of the subject follows naturally from her ideas. The individual in question behaves in such-and-such a way, adopts such-and-such a practical line of conduct and, what is more, participates

⁹⁷⁵ Liu, *Abolish Silicon Valley*, 2; Barbrook and Cameron, “The Californian Ideology”; Rogers, *Diffusion of Innovations*, 229.

in certain regulated practices, those of the ideological apparatus on which the ideas that she has as subject, depend freely and in all ‘good’ conscience chosen.”⁹⁷⁶

The fact that technology (especially) and science feel like “play” to many young minds is key to the notion of having them believe they have freely chosen to submit to the ideological framework of SVC.⁹⁷⁷ Not just any technology and science, however—there is no freedom of play doing such work at a stuffy old corporation—no, the goal should be to work for (or found) a small and unknown firm doing cutting edge “high tech” work (i.e. a startup).⁹⁷⁸ Or failing that, to work at one of those formerly VC-backed large firms that does its best to evangelize an entrepreneurial, innovation-oriented work environment.⁹⁷⁹ And yet, this is far from an automatic choice; there is concerted ideological *work* that must be performed for young minds to substitute categories of work for play and vice versa.

The youth of any given era have rarely needed much persuading to the cause of radically changing the world for the better. The countercultural movements of the 1960s—a key cultural resource for SVC, as we have seen—is only one relatively recent example of this phenomenon. The difference, however, is that in earlier times the

⁹⁷⁶ Althusser, *On the Reproduction of Capitalism*, 185.

⁹⁷⁷ As Sharon Zukin notes, “hackathons” are a vivid illustration of how young computer scientists in particular see the divide between work and play as porous at best, non-existent at worst. Zukin, *The Innovation Complex*, 29, 34.

⁹⁷⁸ Drucker, *Innovation and Entrepreneurship*, 4.

⁹⁷⁹ Google are perhaps the best-known proponent of this approach, closely followed by Facebook (Meta).

means by which the world was to be changed was through politics and social activism; today, the means is “tech entrepreneurship.”⁹⁸⁰

Reid Hoffman, acting as a dilettante philosophical anthropologist in his book *The Start-Up of You*—a literal and entirely unironic guide to how the youth of today can develop into good “entrepreneurs of the self”—argues that the will to entrepreneurship is an innate impulse of human nature:

“You were born an entrepreneur ... Whether you’re a lawyer or doctor or teacher or engineer or even a business owner, today you need to also think of yourself as an entrepreneur at the helm of at least one living, growing start-up venture: *your career* ... your future success depends on understanding and deploying ... entrepreneurial strategies.”⁹⁸¹

To get this message across, though, SVC evangelists like Hoffman go to the actual places and spaces that young radical minds congregate: universities. Universities are the *topoi* wherein future *potential* HC do the informal networking with other future *potential* HC to produce the ideas that SVC wants to capture.⁹⁸² The potential HC up for grabs at universities is composed not merely of atomistic brilliance, but of

⁹⁸⁰ Bandinelli, *Social Entrepreneurship and Neoliberalism*, xii.

⁹⁸¹ As Sparke notes, the “personal inculcation of market imperatives ... suggests forms of “responsibilization” in which individuals start to see their personal lives as investment projects in which they must act as accountable investors.” The notion of entrepreneurial subjectivity, then, is not simply an SVC phenomenon but continues a broader tradition of neoliberal thinking that has been emerging and developing since at least the 1970s. Notably, one of Foucault’s key resources of critique in developing the theory of the “entrepreneur of the self” is Gary Becker whose work popularized the term “human capital” which, I argue, is crucial to the VC process. See Hoffman and Casnocha, *The Start-Up of You*, 3–4; Foucault, *The Birth of Biopolitics*; Sparke, *Introducing Globalization: Ties, Tensions, and Uneven Integration*, 457.

⁹⁸² Bahrami and Evans, “Flexible Recycling and High-Technology Entrepreneurship,” 170.

aggregated informal networks of ideas. The challenge is how to capture the desire of those young minds so that they do not choose politics or social activism, but instead opt for a career in innovation and entrepreneurship. VCs are not shy of admitting they use universities as recruitment grounds.⁹⁸³ In fact, it is not uncommon for prominent VCs to *teach* at universities, inculcating these ideals to the next generation with first-hand anecdotes of their own journey to wealth and fame. Peter Thiel's book *Zero to One* and Reid Hoffman's book *Blitzscaling*, for instance, two of the most influential books on VC-backed entrepreneurship in existence, are *both* based upon variations of the course CS 183 at Stanford (CS183: How to start a startup; and CS183C: Technology-enabled Blitzscaling, respectively) which they delivered themselves. Sam Altman—venturepreneur *par excellence*—similarly taught the class (CS 183B: How to start a startup) in 2014-2015.

Thiel's incumbency is particularly interesting, for he is the archetype Silicon Valley “drop-out” evangelist—so much so, that he even had a character based on him and this trait in the HBO Sitcom *Silicon Valley*. Thiel's VC firm Founder's Fund made a business out of offering young people \$100 thousand dollars to drop out of university and pursue a career in entrepreneurship (in exchange for a sizable chunk of equity, of course). Ostensibly, Thiel *hates* the university system, and yet he acknowledges it as a place to divert young minds, as a place (topos) in which the best and most brilliant young minds congregate. In fact, Thiel's seeming ambivalence exemplifies Gramsci's theorization of the strategies of hegemonic dominance. Gramsci writes:

⁹⁸³ See, for example, Doerr, *Speed & Scale*, 237.

“One of the most important characteristics of any group that is developing towards dominance is its struggle to assimilate and to conquer ‘ideologically’ the traditional intellectuals, but this assimilation and conquest is made quicker and more efficacious the more the group in question succeeds in simultaneously elaborating its own organic intellectuals”⁹⁸⁴

Translating this statement into the modern context, I would argue that Gramsci’s organic intellectuals are, today, those entrepreneurial actors (and VCs) who denigrate academics and academia (the traditional intellectuals) and promote their own intellectual and practical worldview as superior.

Universities, fighting for relevance amidst this prevailing narrative, have consciously embraced SVC as a guiding paradigm. It is almost impossible to find a university or college campus in the US, perhaps even Western world, that does not emphasize innovation as an intellectual good, that does not actively promote entrepreneurship and is not actively reorienting itself towards an emphasis on STEM-based qualifications (while concomitantly marginalizing the kind of liberal arts education that might entice students towards a career in politics or social activism).⁹⁸⁵ Not only do universities face irrelevance and dwindling enrollment numbers if they fail to offer programs conducive to careers in innovation and entrepreneurship, but they are

⁹⁸⁴ Gramsci, *Prison Notebooks*, 10.

⁹⁸⁵ Brown, *Undoing the Demos*, 190–200.

positively incentivized by the income that can be extracted from patents resulting from faculty research.⁹⁸⁶

Of course, the exemplar in this regard is Stanford University, for whom the commercialization of research has long been an express strategic goal. Since at least the 1950s, under the direction of Frank Turman, Stanford has sought to strengthen its ties to local, commercial industries—to be *the* “community of technical scholars” in the region. While for instance, in the 1960s, MIT was promoting government contracts for its academic research, Stanford was launching its patent licensing office and promoting the commercialization of research.⁹⁸⁷ This early culture of innovation as the commercialization of invention has, over time, been reinforced decade after decade through the networks of Social Venture Capital. It is, then, no accident that Stanford, as a site of recruitment for HC, as a source of the *eidos* that is Silicon Valley, is a particularly influential *topos* lying at the heart of Silicon Valley. As John Doerr puts it: “Stanford is the germplasm for innovation. I can’t imagine Silicon Valley without Stanford University.”⁹⁸⁸ The courses that Thiel, Hoffman, and Altman taught were all at Stanford and, as we know, Stanford produces more innovation-oriented entrepreneurs than any other university (Tables 3.3, 3.4, 3.5). In return, the VCs and VC-backed entrepreneurs in the region help promote the elite value of the schools by coming back to promote their industry and innovation entrepreneurship. The relationship is a two-way, not one-way street—a bi-directional flow of knowledge that

⁹⁸⁶ Zukin, *The Innovation Complex*, 175–76.

⁹⁸⁷ Saxenian, *Regional Advantage*, 12, 22, 66.

⁹⁸⁸ Quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 106.

ultimately serves to reinforce one simple *eidos*.⁹⁸⁹ Stanford—and universities like it in other imitative regions—forms the crucial node at the heart of the SVC network. It is *a*, if not *the* wellspring of renewal for SVC.⁹⁹⁰

To underline the point, VC offices, combined with universities and other centers of research, *contract space*. They draw potential HC not only towards various local *topoi* distributed around the globe (and especially to the privileged *topos* that is Silicon Valley), but also towards the singular master *eidos* that is to guide each individual *topos*. In this way, the *eidos* and *topos* of SVC are themselves contracted into a complex whole. HC contracts towards SVC as both a material and ideal infrastructure of practice (Figure 3b.3).

⁹⁸⁹ Seely-Brown, “Foreword,” xiii.

⁹⁹⁰ Of course, this is not the only way that universities feed SVC. University endowments are also a prime source of LP capital. So, the vast sums of money that universities like Stanford and Yale make from patents (among other things) is then filtered in to the VC system directly for valorization, returning a profit to these same institutions that produce the (v)entrepreneurs making the profits in the first place. The less a university focuses on STEM based educations, the less it will receive in revenues from patents, the less it will have to invest in VC, the less it will have to produce the next generation of (v)entrepreneurs. Is this a virtuous cycle of prosperity or a virtuous cycle of privilege? See, for example, Primack, “Revenge of the ‘Endowment Model.’”

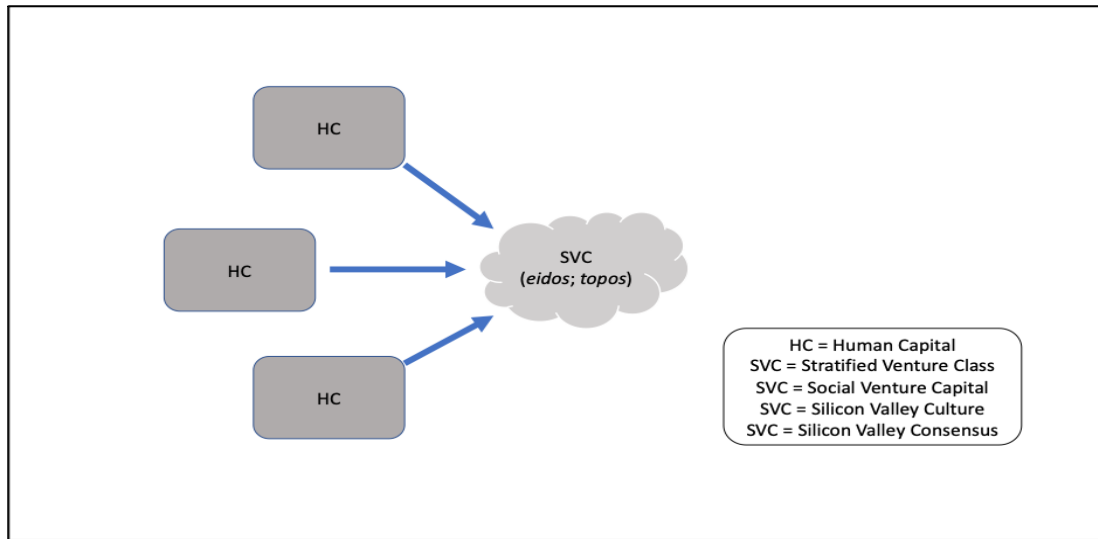


Figure 3b.3 – Contracted Space (Human Capital) (Source: Author)

A MATERIALIST IDEOLOGY OF PRODUCTION

“Capital circulates, as it were, through the body of the labourer as variable capital and thereby turns the labourer into a mere appendage of the circulation of capital itself. The capitalist is likewise imprisoned within the rules of circulation of capital, because it is only through the observance of these rules that the production and expansion of constant capital and the production of further surplus value is ensured. We are, in short, looking at the rules that govern the reproduction on a progressive scale of whole social classes.”⁹⁹¹

~David Harvey, *The Limits to Capital*, p.175

“If every contradiction is a contradiction in a complex whole structured in dominance, this complex whole cannot be envisaged without its

⁹⁹¹ Harvey, *The Limits to Capital*, 175.

contradictions, without their basically uneven relations. In other words, each contradiction, each essential articulation of the structure, and the general relation of the articulations in the structure in dominance, constitute so many conditions of the existence of the complex whole itself ... it is the manifestation of the structure in dominance that unifies the whole”⁹⁹²

~Louis Althusser, *For Marx*, p.205-206

By overdetermining the abbreviation “SVC” I have attempted to compact all four meanings within a singular concept. That is, the Silicon Valley Consensus *is* Silicon Valley Culture, which is given its seductive thrust as a result of the power dynamics on offer through Social Venture Capital, and the whole edifice—wherever it is instantiated—is renewed and reproduced by the equity-ownership relation that produces a Stratified Venture Class. SVC is all of these things simultaneously, and depends on all of them for its successful and continued existence.

Taken together, the overdeterminations of SVC constitute a complex structured whole in which no individual element stands in isolation of the other elements described. SVC can only be understood as a combination of financial (i.e., equity) *and* social capital, and it only makes sense when tied to the concrete culture of place—a culture with a particular global outlook and appeal.

This complex is held together, I have argued, by the renewal and reproduction of human capital (HC), by its capture, circulation, and valorization, all of which serve the engine of growth that underpins the VC process of accumulation. SVC, which

⁹⁹² Althusser, *For Marx*, 205–6.

following Bourdieu I have described as a social *field*, relies not merely on existing resources for its own reproduction but necessarily, by virtue of its value proposition as the world's principal peddler of novelty, on renewal via a select combination of new and existing resources.⁹⁹³ Scott Shane, speaking about entrepreneurial opportunity (a topic that will be taken up in the next chapter), spells this out in frank terms:

“In the absence of variation across people, everyone would recognize and act upon all opportunities, making it impossible for any one persona to gain access to resources at a price which recombination could yield a profit”⁹⁹⁴

Individual HC are both drawn towards and bonded to this complex in a process of spatial contraction. SVC is a contracted spatial field. And yet, it is not simply a material organization of subject-objects in space, but also the arrangement and careful imbrication of conservative and radical ideas about a universal world and the pluriverse of worlds that might be brought in alignment with it. SVC is a confluence of material and ideal forces, a materialist ideology whereby ideas are manifested in practices and practices in ideas.⁹⁹⁵ The circulation of ideas pertaining to innovation as the commercialization of invention backed by private capital makes no sense if not tied both to a concrete material place, and to concrete material actors enacting those ideas

⁹⁹³ The *system* of global capitalism is a closed totality, the *field* of SVC is a selectively open partiality within this totality. By employing Bourdieu's definition of a field in contradistinction to the concept of a system, I am attempting to draw upon this conceptual difference. A system is reproduced, a field is reproduced *and* renewed.

⁹⁹⁴ Shane, *A General Theory of Entrepreneurship*, 7.

⁹⁹⁵ Althusser, “Ideology and Ideological State Apparatuses (Notes towards an Investigation),” 126.

through their practices. Conversely, those places and actors have no coherent identity beyond the ideas that they express, share, modify, and realize. It is the relationship between these things rather than the things themselves that make SVC an ideological reality.⁹⁹⁶

In relation to itself, SVC is a field of practice and ideas in which *belief* is both individual and social, and in which practices are regulated by ideas that its subjects believe they have freely chosen.⁹⁹⁷ Because of this belief, all those recruited into SVC unquestioningly submit to its rules and laws—to the general formula for VC *upon which it depends*.

To round out this discussion of VC spatialities, however, it is necessary to go beyond SVC's relation to itself, to understand its relation to the other, to the beyond—to society and the world itself, a concept better understood as a constellation of worlds. I have attempted to show in this chapter how SVC makes its appeal, on the one hand, to governments and state and, on the other, to future HC. What though, of its appeal to the consuming public? What of its appeal to all those who sit *outside* of the networks of SVC? The Silicon Valley Consensus is what the Stratified Venture Class want as a universal vision for the world at large—those outside SVC are to serve these satisfactions, the satisfactions of the anti/establishment.⁹⁹⁸ What the elites of SVC want and have today, are to be imposed on the masses tomorrow under the banner of benevolent progress:

⁹⁹⁶ Coleman, "Social Capital in the Creation of Human Capital," 100.

⁹⁹⁷ Althusser, *On the Reproduction of Capitalism*, 185.

⁹⁹⁸ Marcuse, *One-Dimensional Man*, 8.

“The new style of living, just established by the *nouveaux riches*, begins to diffuse down from one social stratum to another in more ‘popular’ versions. These are the times when capitalism is identified with progress and the idea that it can achieve social justice becomes more credible.”⁹⁹⁹

This is the topic that remains, and that I will take up in the next chapter and throughout Part III.

⁹⁹⁹ Perez, *Technological Revolutions and Financial Capital*, 5.

[CHAPTER 4]

Endless Frontiers

Growth by Dispossession

“[T]he opportunities for enterprise afforded by the new areas to be exploited were certainly unique, but only in the sense in which all opportunities are. It is gratuitous to assume not only that the ‘closing of the frontier’ will cause a vacuum but also that whatever steps into the vacant place must necessarily be less important in any of the senses we may choose to give to that word. The conquest of the air may well be more important than the conquest of India was—we must not confuse geographical frontiers with economic ones.”¹⁰⁰⁰

Joseph Schumpeter, *Capitalism, Socialism, and Democracy*, p.117

“Cyberspace, in its present condition, has a lot in common with the 19th Century West. It is vast, unmapped, culturally and legally ambiguous, verbally terse (unless you happen to be a court stenographer), hard to get around in, and up for grabs.”¹⁰⁰¹

John Perry Barlow, *Crime and Puzzlement*

“The appearance of a new techno-economic paradigm affects behaviors related to innovation and investment in a way that could be compared to a gold rush or the discovery of a vast new territory. It is the opening of a wide design, product and profit space that rapidly fires the imagination of engineers, entrepreneurs and investors, who in their trial and error experiments applying

¹⁰⁰⁰ Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition* (Harper Perennial, 2008), 117.

¹⁰⁰¹ John Perry Barlow, “Crime and Puzzlement,” Electronic Frontier Foundation, June 8, 1990, <https://www.eff.org/pages/crime-and-puzzlement>.

the new wealth-creating potential, generate the successful practices and behaviors that gradually define the new best-practice frontier.”¹⁰⁰²

Carlota Perez, *Technological Revolutions and Financial Capital*, p.16

“To the contemporary mind, the idea of a public domain is most closely associated with regimes of intellectual property, but it has older roots in the era of global exploration and conquest. For the early explorers and the European sovereigns who financed their voyages, the act of naming and staking claim to hitherto undiscovered lands marked those lands as ownable resources and their contents as available for harvesting or capture. Later, for the fledgling government of the USA, the idea of a public domain available to be claimed by the state and then parceled out to deserving claimants gave tangible purchase to narratives of inevitable and productive westward expansion and manifest destiny.”¹⁰⁰³

Julie E. Cohen, *The Biopolitical Public Domain*, pp.214-215

“The spatio-temporal ‘fix,’ on the other hand, is a metaphor for solutions to capitalist crises through temporal deferment and geographical expansion. The production of space, the organization of wholly new territorial divisions of labour, the opening up of new and cheaper resource complexes, of new dynamic spaces of capital accumulation, and the penetration of pre-existing social formations by capitalist social relations and institutional arrangements (such as rules of contract and private property arrangements) provide multiple ways to absorb existing capital and labour surpluses.”¹⁰⁰⁴

David Harvey, *The New Imperialism: Accumulation by Dispossession*, p.66

¹⁰⁰² Carlota Perez, *Technological Revolutions and Financial Capital* (Cheltenham, UK: Edward Elgar Publishing, 2002), 16.

¹⁰⁰³ Julie E. Cohen, “The Biopolitical Public Domain: The Legal Construction of the Surveillance Economy,” *Philosophy & Technology* 31 (March 28, 2017): 214–15.

¹⁰⁰⁴ David Harvey, “The ‘New’ Imperialism: Accumulation by Dispossession,” *Socialist Register* 40 (2004): 66, <https://socialistregister.com/index.php/srv/article/view/5811>.

INTRODUCTION: POLITICS, ECONOMICS, AND PERMISSION

When Travis Kalanick, co-founder and then CEO of burgeoning startup Uber, realized he couldn't afford Bradley Tusk's 25 thousand dollars a month retainer, he knew there was only one other option: services in exchange for equity. Tusk, a tough political operator with decades of experience working on political campaigns and a short ill-fated stint as Deputy Governor of Illinois, came highly recommended. As a political operator he knew what Kalanick, an economic operator, did not: how to work with and around the government (be it in the form of career politicians, regulators, or civil service bureaucrats). It was a good move for both parties. Kalanick, advised by Tusk, swept governments aside municipal jurisdiction by municipal jurisdiction, transforming Uber into a global monopoly; Tusk saw the value of his equity stake rise to over \$100 million.¹⁰⁰⁵

While Tusk was not at that time a VC, he knew a good business opportunity when he saw it and in 2015, the same year he began his campaign with Uber, he partnered with Jordan Nof, a former CVC veteran of Blackstone, to launch his own VC firm "Tusk Ventures." As Tusk saw it, pursuing inchoate markets characterized by

¹⁰⁰⁵ Sarah Kessler, "The Rise Of Bradley Tusk, Silicon Valley's Political Savior," Fast Company, October 24, 2016, <https://www.fastcompany.com/3064417/the-rise-of-bradley-tusk-silicon-valleys-political-savior>.

legal ambiguity would sooner or later create political concerns, and Tusk could be there to help. According to the firm's website:

“There are 17,000 startups in the U.S. and if you're one of them, you're either trying to disrupt a traditional industry – transportation, energy, health care, insurance, finance, hospitality, gaming – or create an entirely new one. If we know one thing, it's that politicians and entrenched interests typically don't thank you for the disruption, they punch back. That's where we come in. We protect startups from politics.”

On this view, disruptive startups—the antiestablishment—are heroic outlaws in the mold of Jesse James; they may be criminals, but only as determined by the big bad and unjust establishment (be it composed of the government, entrenched legacy industries, or both). In some cases, Tusk Ventures' task is to help (v)entrepreneurs navigate highly regulated business domains; in other cases, it is about helping them navigate market spaces in which the regulations haven't been written yet; in both cases it is about defining and redefining regulations in the pursuit of profit. The goal, as Tusk frames it, is to dethrone the government-propped monopolies that saturate our society. But like any anti/establishment actor, he is not exactly allergic to concentrated power; he merely promotes a figurative changing of the guards.

The strategy that Tusk employed for Uber, an evolved form of older VC strategies, came to be known as Travis' Law (named after Kalanick). As Evan Burfield, author of *Regulatory Hacking: A Playbook for Startups* and co-founder of 1776 Ventures, describes it, Travis' Law works according to the following procedure:

“Develop a disruptive product or service, launch quickly without asking permission and before anyone knows what you're doing, use early success to stack up an obscene amount of capital, use that capital to blitz your way into new markets and quickly develop a massive army of loyal users, and use those armies to topple the walls of regulators, monopolies, and special interests.”¹⁰⁰⁶

Tusk would go on to develop refine his playbook, using it to advise host of portfolio companies operating in legally ambiguous market space, including Tesla (electric and autonomous vehicles), Coinbase (cryptocurrency exchange), Latch (keyless entry and property surveillance), Bird (e-scooters), and FanDuel (online gambling) to name but a few. In 2022 they raised their third fund, pooling \$140 million in capital, double the value of its previous fund. By late 2023 it was setting the process in motion for a fourth fund.¹⁰⁰⁷ Business is evidently good. And so it should be, given that Tusk purportedly takes around 10 percent of any company it assists and will only work with companies whose revenue ambitions and model—no matter how small they begin—extend to the entire US at a minimum.¹⁰⁰⁸

To achieve such a scale of ambition, a typical startup working with Tusk will target smaller jurisdictions, municipalities for instance, which, although they represent

¹⁰⁰⁶ Evan Burfield, *Regulatory Hacking: A Playbook for Startups* (New York, NY: Portfolio/Penguin, 2018), 16–17.

¹⁰⁰⁷ Ryan Hibbison, “Tusk Eyes Fourth Fund to Help Start-Ups Navigate Politics,” content, *Venture Capital Journal* (blog), August 9, 2023, <https://www.venturecapitaljournal.com/tusk-eyes-fourth-fund-to-help-start-ups-navigate-politics/>; Connie Loizos, “Tusk Venture Partners Just Closed Its Third Fund with \$140M, Double Its Predecessor Fund,” TechCrunch, May 17, 2022, <https://techcrunch.com/2022/05/17/tusk-ventures-just-closed-its-third-fund-with-140m-double-its-predecessor-fund/>.

¹⁰⁰⁸ Interview with Bradley Tusk and Jordan Nof, conducted March 8th, 2023.

smaller markets, operate at a different, far more efficient speed than national or regional governments.¹⁰⁰⁹ Won over in aggregate, these smaller markets comprise a much larger movement that regional or national governments otherwise out of reach simply cannot ignore. The other great benefit of smaller markets is that they are easier to grow into. With Uber, for instance, Tusk told me that in any given local jurisdiction they simply ignored the cease-and-desist orders issued by local governments, prioritizing growth in those markets with assured confidence that “the value proposition could be easily demonstrated when people saw it in action.”¹⁰¹⁰ Once early growth had been achieved through all sorts of growth hacking schemes made possible by VC-backed capital—including “first ride” credits of up to \$20, free cash basically—Tusk would mobilize a hoard of loyal riders and drivers to lobby the government, imploring them to legalize this amazing new convenience.

VC is the mechanism by which Kalanick—and others similar to him—are able to produce things that people have never demanded, but once they have them simply cannot live without.¹⁰¹¹ The mantra “don’t ask permission, beg for forgiveness,” almost doctrine for the agents of SVC, is made that much easier when the beggar is backed by

¹⁰⁰⁹ Interview with Bradley Tusk and Jordan Nof, conducted March 8th, 2023.

¹⁰¹⁰ Interview with Bradley Tusk and Jordan Nof, conducted March 8th, 2023.

¹⁰¹¹ With FanDuel, an online gambling platform, it was not convenience that made zealots of the platform’s consumers, but *addiction*. Addicts make exceptionally good advocates, and addiction is crucial to the strategies of many VC-backed firms. Online gambling, at the time Tusk took on the challenge, possessed an army of 5 million gamblers. FanDuel explicitly lobbied the government to rethink a ban that would have protected potential gambling addicts from the product. Bradley Tusk, *The Fixer: My Adventures Saving Startups from Death by Politics* (New York, NY: Portfolio/Penguin, 2018), 155; Callum Jones, “Top US Betting Firm Lobbied against Rules to Protect Young People and Problem Gamblers,” *The Guardian*, December 9, 2023, sec. US news, <https://www.theguardian.com/us-news/2023/dec/09/fanduel-new-york-safety-minors-gambling-addiction-sport-betting>.

a legion of zealots. Which is not to say that the Tusk strategy doesn't sometimes begin by asking permission. With Lemonade, for instance, an online insurance firm, Tusk knew they couldn't even launch without a license. So an alternative strategy, similar to the first, was employed: find the easiest jurisdiction to obtain a license and then use that achievement to build credibility in other jurisdictions. Small market by small market a massive market is produced, and the ultimate effect is to produce an antiestablishment movement explicitly determined to take down the establishment, in this case an insurance industry that Tusk has described as "massive, old, and stagnant, incapable of innovating on their own—ripe for disruption."¹⁰¹²

The value proposition for Tusk, as for his clients, is to go where others will not. It is, as he put it to me, "all about arbitrage; exploiting knowledge gaps."¹⁰¹³ His firm will not engage with biotech firms for precisely this reason; the regulations are too well established and other VC (and biopharma) firms have already figured out how to navigate the political sphere. But the value proposition that Tusk and similar firms offer is also about accepting a simple fact that others avoid: the economic activities of VC and VC-backed disruptors are also inherently political; in disrupting the social sphere one is disrupting political interests. Politics, I noted in the introduction, is nothing less than a process of contestation over social form, and if this holds true then VC-backed disruption is political action. The power that Tusk manipulates and wields by means of targeting small jurisdictions is the power of growth, and small markets are easier to

¹⁰¹² Tusk, *The Fixer: My Adventures Saving Startups from Death by Politics*, 166.

¹⁰¹³ Interview with Bradley Tusk and Jordan Nof, conducted March 8th, 2023.

grow into, especially when backed by VC-funds that negate the profit requirement. But it must also be recognized that, in this sense, growth equates to political power. And because growth in the context of VC-backed innovation also equates to the growth of equity value, the political power gained is not just this or that startup, but also the political power that actors like Tusk and other VC investors seek to harvest, time and time again. The incentives shared by equity holders are political interests that, when realized, bestow social and power. It is for this reason and this reason alone, that business, for Tusk at least, is so darned good.

* * *

To generalize and critically explore the strategies and behaviors exemplified by Tusk and similar firms, I begin this chapter by revisiting the general formula for VC and the duality of human capital (HC) and market space (MS) that I have suggested underpins growth (G). Having already explicated the meaning and stakes of HC in the last two chapters, I focus here on MS and its meaning in the context of VC-backed growth. My first task is to make an ontological distinction between market space and market share. My argument, developed throughout this chapter, is that the goal of the VC investment model is to transform unknown market space (MS) into market share (MSh) before any major competition arrives so that the resulting market may be “captured” and

monopolized. To make my argument I revisit the question of what a market actually is and, using the work of Fernand Braudel, show how markets are to be distinguished from both material life and capitalism while at the same time being implicated in both. I argue that because MS in the VC process does not represent a fully formed market, it implies the content of MS exists somewhere—at least in part—in the domain of material life.

The second section of this chapter extends the first by bringing MS into conversation with HC. For MS to be actualized as MSh, HC must be mobilized to identify and exploit entrepreneurial opportunities. I argue that the virtue of HC “know-how” (be it professional or technical knowledge) is that it is able to perceive and pursue *unknown* MS before others are fully aware that it exists. As such, my claim is that unknown MS offers an arbitrage opportunity whereby value is captured in a domain (MS) where prices do not yet exist and then, if successful, sold for a price in place where they do (MSh). Reflecting on the recent business innovation literature promoting this strategy, I show how spatial metaphors relating to markets and innovation get translated into spatial metaphors of frontiers and even without caution into metaphors of settler colonialism. These metaphors, I show, find their origin in mid-twentieth century post-war attempts to spur government investment in innovation—efforts that inadvertently led to the emergence of the VC industry as a vehicle that would become the principal investor in innovation. With public investment traded for private investment, innovation became less about science as the (singular) endless frontier of

human knowledge, and more about markets as the endlessly pluralized frontiers of capitalist opportunism.

Building on this thesis, I revisit David Harvey's notion of the "spatial fix" in section three to show how the VC process facilitates such fixes with regard to MS. In particular, through the use of novel techniques employed by captured HC, VC finances into being new *dimensions* of MS—substituting geographical for economic frontiers—that further proliferate potential sites for unimpeded capitalist accumulation and monopolization. These sites, unbeknown to most people, appear at first to be *tabula rasae*—or, more pointedly—*terrae nullius*—but on closer inspection almost always overlap with pre-existing material life (if not the unsuspecting domains of existing markets or capitalist enterprises). Therefore, while the capture of MS may at first appear relatively innocuous, in many cases it entails the privatization and accumulation of that which we did not even know could be privatized and accumulated. Moreover, because VC uses finance as its underlying means, this privatization and accumulation occurs in the future, before we even know it is happening; VC-backed startups produce today where consumption will take place tomorrow, thus privatizing the future in an unobstructed *fait accompli*.

Returning to the theme of anti/establishmentarianism (Chapter 2), I argue in part four that the goal of pursuing novel HC-enabled economic frontiers is to build discrete monopolies that can either grow into adjacent MS and MSh, thus disrupting the establishment (antiestablishmentarianism), or be acquired by an existing possessor of MSh thus accentuating and solidifying the pre-existing establishment

(establishmentarianism). I liken this contradictory ambivalence to libertarian visions of *frontieresque* opportunity, showing how the strategy for many VC-backed firms is to find (market) space, reconfigure and dominate that space under the banner of freedom (i.e., free markets), and to then build a movement that can reorient the metropole (i.e. the establishment). I argue that by acting in antiestablishment “spaces,” VC-backed startups are often able to arbitrage value through the exploitation of legal and regulatory gray zones. This allows them to gain an unfair advantage over those who play by the rules, operating in spaces where—unlike in established markets (i.e., the metropole)—rules are either yet-to-be-established, or may be hacked, avoided, evaded, or suspended. In their purest form, these libertarian spaces of freedom take on the role of platform frontiers—where product and market converge into one, thus forming the VC ideal: absolute monopoly over market space with almost totalitarian authority.

To conclude, I synthesize the arguments of Parts I and II to illustrate how contracted time and space come together under VC as a means of value capture. I argue, foreshadowing the content of Part III, that the effect of VC is to produce a constellation of actors with the will to dominate future social necessity—actors motivated to accumulate today all that we, society, will need tomorrow just to keep up with social norms, and that in doing so VC is helping to eclipse the traditional role of sovereign authority as the arbitrator of social freedom and necessity.

I: MARKETS REVISITED: SPACE VS. SHARE

Market Space vs. Market Share

In Chapter 3a, the general formula for VC was revised to provide an explanation of growth as the combined product of two accumulation and valorization processes (Figure 3a.2). The first of these, described in chapters 3a and 3b, was the capture, circulation, and valorization of human capital (HC). The second, which is the topic of this chapter, is the capture and transformation of market space (MS) and its transformation, when successful, into market share (MSh).

In general discourse, the term MS appears only rarely. The term MSh, although more prevalent, appears most frequently in specialist marketing, innovation, and VC-related practitioner literature, especially “how-to” guides for entrepreneurs. Most common, however, is the simple term “market,” which appears in both a singular and plural form. When “market” appears in its singular form as a definite article (i.e., the market), it is almost invariably interpreted as a synonym for the capitalist system or some historical version of it.¹⁰¹⁴ When “market” appears in plural form (i.e., markets) the implication depends on the context. For example, to speak of “markets” may be to speak of distinct geographical economies in a comparative sense, to make a distinction between, say, UK, US, and Chinese markets, and the different producer-consumer bases inherent to these locations. A second sense in which the plural version of markets appears, however, is when we speak of what might better be described as market

¹⁰¹⁴ Matthew Watson, for example, argues that the market, when used as a definite article, is a codeword for neoliberalism and the TINA doctrine of Margaret Thatcher and her disciples. “The” market has a disembodied agency that, in supposedly producing certain political realities and necessities, has even the toughest of politicians cowering in subservience. See Matthew Watson, *The Market* (Newcastle, UK: Agenda Publishing, 2018).

“segments,” to producer-consumer bases both within and between geographical economies. These market segments are often associated with types of products and services. Sportswear, life insurance, social media, digital payments, and so on, could all be described as market segments. And these market segments could in turn be further divided into narrower product and service lines.¹⁰¹⁵

Despite the common reduction of MS and MSh to “market,” the distinction between market space and share is important, particularly in the type of innovation industries associated with VC. While MS speaks to potentiality, both MSh and the term market speak to achievement. MS is, as such, *potential* MSh, and it is only when MS is converted into MSh that a market can exist. MS is, in other words, an untapped and incomplete market.

One way to conceptualize this is to think of MS as an economic “greenfield,” the term being used to denote any situation in which an undeveloped “space” is targeted for investment, development, production and so forth. The benefit of a greenfield “site” to a producer is that economic opportunities pertaining to it are not constrained by prior development or operations. It is presented as empty and unused space in contradistinction with congested pre-established spaces subject to high rents and a sea of economic competitors. If we think about the metaphor literally, we could compare a city to an undeveloped rural landscape, the latter being the greenfield. If, on the other hand, we go deeper into the metaphor, we can apply it to any *addressable* economic

¹⁰¹⁵ Sportswear could be divided by sport, by functional vs. aesthetic value, could be narrowed to “smartwear” like fitness trackers and so on.

space including non-geographical MS that pertains as much to market segments as it does to geographical markets. Anywhere there is potential consumption, there is an opportunity for production, and anywhere production and consumption occur through the medium of exchange, we have a market.

Of course, attempting to produce where there is only *potential* consumption is a gamble. It presents a risk or uncertainty. And while risk and uncertainty discourage most actors, they simultaneously offer higher rewards to successful speculators. In principle, they offer greater rewards by virtue of offering greater *share*. Risk and uncertainty discourage would-be competitors, and in extreme cases they are the path to accumulating an uncontested monopoly.

Few entrepreneurs possess the means to self-finance and pursue high-risk ventures, and traditional investors in general will not give money to young untested would-be entrepreneurs building products for non-existent markets. VC is the outlier.¹⁰¹⁶ VCs are the gambling agents who, by virtue of portfolio thinking, are willing to speculate on the transformation of MS into MSh; the risks are greater, but so are the rewards. This is the essence of an investment strategy based on power law outcomes. While (v)entrepreneurial HC are responsible for mobilizing technical know-how towards the development of innovative products and services and have expertise in seeing novel applications for invention, VCs are responsible for mobilizing their own ventreprenurial experience (note, they are also treated as HC in the model I have

¹⁰¹⁶ Margaret O'Mara, *The Code: Silicon Valley and the Remaking of America* (USA: Penguin Books, 2019), 68.

presented for SVC) towards the assessment, development, and capture of MS and MSh. Market size (a spatial metaphor) is one of the first components given to and expected in almost any (v)entrepreneurial pitch given to VCs, and VCs often recount instances in which the pitching team has failed to truly recognize how large or small their potential market is.¹⁰¹⁷ The MS available for capture is crucial to VCs, for in seeking power law outcomes they are only interested in massive, billion dollar markets.¹⁰¹⁸

In chapter 3a we saw that product-market fit is based on the iteration of products around a market constant. However, we may now more accurately say that product-market fit is based on the iteration of products around MS in order to capture MSh. The latter can be achieved in multiple ways for any given instance of the former. Put another way, MS is potential demand (an end) and MSh is the fulfillment of that demand (end) through various contingent means. The transformation of MS into MSh is thus the mobilization and capture of new or undiscovered demand.

Known vs. Unknown Market Space

While greater technology and market risk—i.e., the risk that a product (supply) does not work as intended or the risk that market space (demand) does not exist as anticipated—are associated with greater reward, an additional and related means by

¹⁰¹⁷ Scott Kuper, *Secrets of Sand Hill Road: Venture Capital and How to Get It* (Penguin Random House, 2019), 127.

¹⁰¹⁸ “Anyone who has pitched VCs knows they are obsessed with market size ... if you can’t make the case you’re addressing a possible billion dollar market you’ll have difficulties getting VCs to invest.” Chris Dixon, quoted in Tren Griffin, *A Dozen Lessons for Entrepreneurs* (Columbia University Press, 2017), 96, <https://doi.org/10.7312/grifl8482>.

which potential rewards may be maximized is through the pursuit of *unknown* market space. As we saw in Chapter 3a, one of the key value-add functions of SVC is its capacity to facilitate (and restrict) the circulation of knowledge through social networks. Higher risk not only discourages action, but it also discourages consideration of certain courses of action. A high-risk mountain pass might or might not offer a better way of traveling from point A to point B, however, if the risk is deemed great enough, the pathway would likely not even enter into the consideration of most travelers. It would remain relatively unknown. For VCs, this is an arbitrage opportunity.¹⁰¹⁹ It is an opportunity to capture value at low cost (e.g., a relatively small seed investment in a firm not yet proven and thus not yet seen as valuable) and to potentially sell it later for (much) higher value, when others have finally (and too late) become aware of its existence. On the other hand, risk and reward are both accentuated because, in being unknown, the space will be relatively uncontested. This means, first, that the risk of capturing this space is reduced as there are fewer (or no) competitors also seeking its capture (the venture is less likely to be competed out of the market). Second, it means that a greater share of the reward is on offer. Not only is there an opportunity for the (v)entrepreneur to capture a greater share of the potential market, but there is also an

¹⁰¹⁹ Josh Wolfe of Lux Capital in an “ask me anything” (AMA) thread on Reddit encapsulated this principle when he advised a curious would-be VC how to get into the industry: “We were looking where other people weren’t. If you were passionately interested in AI 5 years ago you would be in the money now. Of course everyone is interested in AI today so it becomes less interesting. Always look to arbitrage the ignorance gap!” Josh Wolfe, “Ask Me Anything (Lux Capital),” Reddit, March 27, 2017, https://www.reddit.com/r/IAmA/comments/61tzj1/hi_were_josh_peter_and_sam_josh_and_peter_are/.

opportunity for the VC to capture a greater proportion of the equity of the firm. Crucially, the first opportunity accentuates the second.¹⁰²⁰

Earlier I claimed that the term MS appears only rarely. One place it does appear is in the bestselling book *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*. As the title suggests and as described above, the goal of the so-called blue ocean strategy is to avoid competition. Contrasting the “red oceans” of “bloody” competition constituting *known* market space with the “blue oceans” of unknown *uncontested* market space, the authors state their position as follows:

“Red oceans represent all industries in existence today. This is the known market space. Blue oceans denote all the industries *not* in existence today. This is the unknown market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here, companies try to outperform their rivals to grab a greater share of existing demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities, and cut-throat competition turns the red ocean bloody. Blue oceans, in contrast, are defined by untapped market space, demand creation, and the opportunity for highly profitable growth.”¹⁰²¹

The general message is that just like a gold rush on the historical American Western Frontier, early prospectors will have an easier time collecting (capturing) the

¹⁰²⁰ Peter Thiel urges all startup founders and VCs to ponder this, asking what he refers to as the “secret question”: “have you identified an opportunity others don’t see?” See Tim Ferriss, *Tools of Titans* (New York, NY: Houghton Mifflin Harcourt, 2016), 236.

¹⁰²¹ W. Chan Kim and Renée Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* (Massachusetts, USA: Harvard Business Review Press, 2015), 4.

abundance of gold.¹⁰²² Nonetheless, being there first is only part of the challenge; having the right tools, techniques, and knowledge, as well as prospecting in the right place, are all also crucial factors. Thus, knowing that MS exists is only the first step; meeting MS with the right HC is crucial if a share of the value (e.g., MSh, gold) is to be captured.

Recognizing *and* successfully pursuing an opportunity is a combination that parallels the structure of the VC-Entrepreneur relationship, and so, while the conversion of unknown MS into MSh is not process exclusive to the VC process (i.e., non-VC-backed entrepreneurs and corporations can also pursue this conversion), it is a process *ideally suited* to VC. It is also, I maintain, a conversion upon which the VC process depends. As we saw in Chapter 2, VC as risk capital is designed and structured in a manner that allows it to focus exclusively on disruptive (antiestablishment) innovation, whereas most established firms are constrained to focus on sustaining innovation and the preservation of their existing and proven value base. VCs are able to take that gamble, to focus on accumulating ideas that “the world doesn’t realize [are] a really big fucking deal” before anyone else.¹⁰²³ VCs, unlike other financiers and corporations, are able to make a business out of “fads,” out of “something with no known market value or purpose, but with ‘great properties’ that generate a lot of

¹⁰²² The authors of *Blue Ocean Strategy* make much of the metaphor of pioneers at the frontier. This will be discussed in due course.

¹⁰²³ Alex Ohanian, co-founder of social media platform Reddit, says that a question asked of all founders applying to Y Combinator is “what are you doing that the world doesn’t realize is a really big fucking deal?” Quoted in Ferriss, *Tools of Titans*, 196.

enthusiasm within an 'in crowd' of early adopters.”¹⁰²⁴ Fads like this produce growth without profits, but in doing so increase the value of equity stakes in the firm.

Once a fad goes mainstream, the value opportunity for speculative (i.e., VC) investment diminishes. Research suggests that at this stage, when the market is saturated with producers, a bootstrapped (i.e., self-financed) startup will experience similar or better year-on-year growth to a VC-backed startup.¹⁰²⁵ This is important because growth (G), as we know, is the product of the entire VC process and the underlying substance of value represented in equity (E/E'). Thus, another benefit of arriving early, for VCs, is that early dominance facilitates later dominance; monopoly (or, at least, market dominance) and growth are directly and positively related. By moving early, a feat more easily achieved with the backing of VC, (v)entrepreneurs are able to take a big share of a small market without attracting the attention of too many other prospectors (i.e., without catalyzing a gold rush). As Geoffrey Moore argues in *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, another bestselling book with similar messaging to *Blue Ocean Strategy*, the goal is to dominate a small segment of MS—most likely with a set of niche customers, which is in part what makes it a fad—to be a “big fish in a small pond,” and to then, from that solid ground, expand into adjacent MS.¹⁰²⁶ As we have seen, the

¹⁰²⁴ Geoffrey A. Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers* (New York, NY: Harper Business, 2014), 7.

¹⁰²⁵ Rebecca Szkutak, “Early-Stage SaaS Startups Grow the Same with or without VC Dollars,” *TechCrunch* (blog), July 20, 2023, <https://techcrunch.com/2023/07/20/early-stage-saas-startups-vc-bootstrap/>.

¹⁰²⁶ Moore suggests that to be a “leader” in any given market you need an early market share in excess of 50 percent of new sales. According to the US Department of Justice (DoJ) “as a practical matter, a market share of greater than fifty percent has been necessary for courts to find the existence of

ultimate aim of a VC investment is to present an image of future market domination (or monopoly) at the point of exit to maximize VC returns. The way this is achieved is not, however, by competing for a monopoly over a large portion of MS, but rather by growing smaller existing monopoly positions within MS. Competition and monopoly are opposite concepts. The latter negates the former. Thus, growth by competition, what we normally associate with market economics, is at best discouraged and at worst entirely ruled out as a sound strategy for VC and VC-backed entrepreneurship.

What actually *is* a market?

The ontological (and economic) difficulty with framing markets in the way I have been doing so far lies in the question of whether demand pre-exists supply, supply produces demand, or a combination of the two is a better explanation for the creation of economic novelty. Put differently, the distinction between MS and MSh raises the question of what a market actually is if we can speak of “market” space in a context where a market has not yet been formed.

Matthew Watson, in his critical study *The Market*, argues that there are three ways in which markets have historically been conceptualized. First came Adam Smith’s “descriptive” account, which was largely based on physical markets and

monopoly power,” and that “this observation does not apply to claims of attempted monopolization.” Moore is thus explicitly encouraging the formation of monopoly positions and powers. See https://www.justice.gov/archives/atr/competition-and-monopoly-single-firm-conduct-under-section-2-sherman-act-chapter-2#N_31 Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 84–85.

marketplaces. Second came the “analytical” market concept ubiquitous to economics textbooks and reducible to the standard image of a supply and demand “curve” (Figure 4.1). The key concept in this second description is partial equilibrium, or the ability for supply and demand to “clear” a given market (i.e., meet all supply and demand needs without surplus or shortfall) at a certain price point known as the partial equilibrium. Finally, there is the “formalist” market concept which, like the second, focuses on supply, demand, and price clearances, but does so in a far more mathematical and abstract manner, and is oriented towards general (rather than partial) equilibrium—that is, between market clearances in all markets at one time, at an equilibrium for *the* market as such.

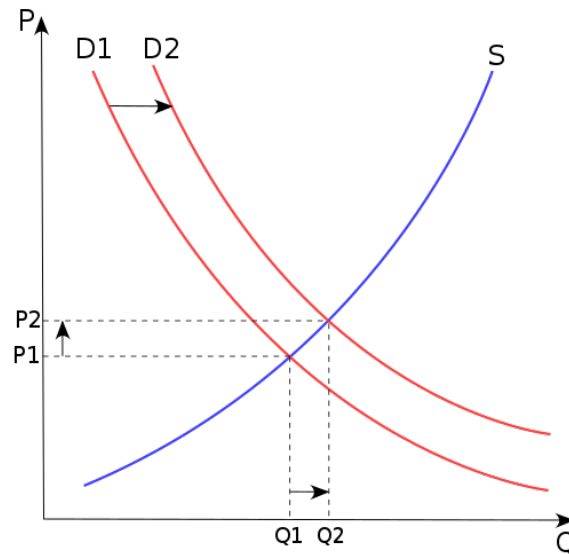


Figure 4.1 – Market Supply and Demand¹⁰²⁷

¹⁰²⁷ In the model displayed, the Y-Axis denotes price (P), the X-Axis denotes quantity (Q), the downward sloping lines denote demand (D) and the upward sloping lines denote supply (S). Paweł Zdziarski. Supply and Demand. *Wikimedia Commons*.

To say that a market is a confluence of supply and demand implies that a market, like MSh and product-market fit, is an *achievement*. A market only exists when there is demand to meet supply and supply to meet demand. The process of growth (G) underpinning the VC process is thus a movement from MS towards MSh, just as it is a movement towards product-market fit. It is a movement from unknown and thus unmet (i.e., un-supplied) market demand, to known met (i.e., supplied) demand. Part of the confusion perhaps lies in the point that a market is not a market without a product, it is MS. A product does not meet a market, but MS, and when it finds a “fit” it is converted into MSh. To speak of product-market fit is thus to speak of MSh, which implies the coming together of supply and demand and therefore of the existence of a partially or fully formed market (no matter how large or small).

The temptation might be, therefore, to say that MS is nothing more than demand without supply. However, the term demand is not always accurate in the context of VC. As the speculative investment engine for the innovation industry, an industry of novelty peddlers, VC does not always wait for potential consumers to make demands but rather, to gain a head-start, moves immediately to supply what it believes consumers will want (i.e., demand) in the future. Geoffrey Moore offers the following:

“[W]e will define [a market], for the purposes of high tech, as:

- a set of actual or *potential* customers

<https://commons.wikimedia.org/wiki/File:Supply-and-demand.svg>. Creative Commons License (CC BY-SA 3.0 DEED). <https://creativecommons.org/licenses/by-sa/3.0/>

- for a given set of products or services
- who have a common set of *needs or wants*, and
- *who reference each other* when making a buying decision.”¹⁰²⁸ (emphases added)

Several features of Moore’s definition are noteworthy. First is the acknowledgement that actual customers may not be the target. Note that Moore does not say actual *and* potential customers; the customer base may be entirely potential, which is the nature of innovation entrepreneurship. Second is that actual or potential consumption must be met by a set of products and services rather than any individual product or service. Third, is that this relates to needs or wants, though as we shall see in the coming chapters, the line between needs and wants is murky and confused. Finally, a market is not simply about the social relationship between a supplier and consumer, but between consumers themselves—that is, the supposed needs or wants pertaining to a given set of products or services must be shared amongst a social group. The basis of a market, then, pertains at a certain level to socially shared desires that consumers may or may not yet have, and that it is presumed can be served or invoked by certain product and service offerings.

Finally, by using the term “buying decision” Moore is suggesting an act of purchase which by association implies market price. According to the standard market definitions (i.e., its analytical and formalist conceptualizations), supply and demand,

¹⁰²⁸ Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 35.

intersected on a line graph, produces price. However, this creates a complication because the VC model of growth does not necessitate price. It allows for growth without products, without revenue, and without profits. Admittedly, this is not an *essential* feature of VC-backed ventures. Undoubtedly certain products, material goods like EVs, satellite communications infrastructure, or cannabis consumables, for example, will have a monetary price; they cannot merely be *used* and must be purchased. Yet their value to VC is not a direct product of this price, it is a product of growth (G). The value of an equity stake (E/E') in a cannabis company, for instance, depends less (or not at all) on the price any given cannabis product is sold at, and more on the prospects for growth of consumption as a result of legalization.¹⁰²⁹ Amazon, famous for its low-margin strategy of growth, is an apt example. As Jeff Bezos has famously quipped, “your margin is my opportunity [for growth].”¹⁰³⁰ The point to note is that the only place that price makes an *essential* appearance in the VC process is in relation to equity (E/E'), and the price of equity is a function of growth (G).¹⁰³¹

¹⁰²⁹ For EVs, growth is correlated to the phasing out through legislation of gasoline-powered vehicles and gas stations; for satellite communications, growth might be correlated to the acquisition of government contracts. In each case the law, rather than price, is the engine of market value. See, for example, Mike Stone and Joey Roulette, “SpaceX’s Starlink Wins Pentagon Contract for Satellite Services to Ukraine,” *Reuters*, June 1, 2023, sec. Aerospace & Defense, <https://www.reuters.com/business/aerospace-defense/pentagon-buys-starlink-ukraine-statement-2023-06-01/>; Dan Primark, “Axios Pro Rata: Cannabis Capitalism,” *Axios*, August 14, 2023, <https://www.axios.com/newsletters/axios-pro-rata/>. I shall return to these examples in a later chapter.

¹⁰³⁰ Reid Hoffman and Chris Yeh, *Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies* (New York, NY: Currency [Penguin], 2018), 62–65.

¹⁰³¹ One added complexity here relates to the monetization strategies of firms whose products have “users,” such as is the case with social media. The argument generally given is that in this scenario the users *are* the product. Price appears in this scenario when users, as products, are sold to advertisers and other third-parties in the form of data profiles. Regardless of this fact, consumption—or as some have called it, presumption—occurs without price for the user who consumes a product. The price occurs in a different product transaction. During the early growth phases of such a company, before it has “monetized,” there is no price involved except for the price of equity.

Braudel's Triptych

One thing a market is not, is essentially capitalist. Capitalism depends on markets (as a necessary medium of exchange and circulation), but markets do not depend on capital, capitalism, or money. Such an observation only applies to the descriptive conceptualization of markets, of course, but nonetheless, a market or marketplace is nothing in itself but site or space of exchange.¹⁰³² It is a space in which items of utility (i.e., possessing use values) are given exchange values and traded for other items of utility that are also given an exchange value. Money enters into this system as a universal and thus convenient medium of exchange (and unit of account) only.¹⁰³³

One of the most vivid descriptions and arguments in favor of the distinction between markets (or the market economy) and capital (or capitalism) is given by Fernand Braudel in his sweeping, three-volume study *Civilization and Capitalism*.¹⁰³⁴ In that work, Braudel makes a sharp distinction not only between market economies

¹⁰³² Because both the analytic and formalist accounts of markets depend on the price signal as a fundamental assumption of the supply and demand model, both necessarily rely on a universal medium of exchange (i.e. money) and all but preclude the possibility of particularized goods being exchanged (e.g., eggs exchanged for bread). The analytical and formalist accounts of markets therefore presume the money commodity. While money is not the essence of capitalism, it is one of its essential features. Disentangling money from capitalist relations is a problem that any response to the phenomenon of VC will have to contend with. I touch upon this briefly in the Conclusion.

¹⁰³³ The third mode of utility typically given to money is that it is a store of value. It is this additional use of money that leads to the capital and capitalism, for once money may operate as stored value it may be collected, preserved, and invested in the means of production and the cycles of reproduction. Speculation—investment across time—also becomes more accessible..

¹⁰³⁴ Fernand Braudel, *The Structures of Everyday Life: The Limits of the Possible*, trans. Siân Reynolds, vol. I, *Civilization and Capitalism: 15th to 18th Century* (Berkeley and Los Angeles: University of California Press, 1981); Fernand Braudel, *The Wheels of Commerce*, trans. Siân Reynolds, vol. II, *Civilization and Capitalism: 15th to 18th Century* (New York, NY: Harper & Row, 1982); Fernand Braudel, *The Perspective of the World*, trans. Siân Reynolds, vol. III, *Civilization and Capitalism: 15th to 18th Century* (New York, NY: Harper & Row, 1984).

and capitalism, but also between those two elements and a third that he refers to as “material life.” In the *Afterthoughts on Material Life and Civilization*—a much shorter, reflective essay—Braudel ponders whether, on reflection, material life might not have been better described as the “structures of daily life” (the first volume of his trilogy is titled *The Structures of Everyday Life*), as “those aspects of life that control us without our even being aware of them: habit or, better yet, routine ... incentives, pulsions, patterns, ways of acting and reacting that sometimes ... go back to the beginnings of mankind’s history.”¹⁰³⁵ The market economy emerges *from* material life as its logical successor.

Material life as a description of everyday life is limited to material utility; the only values that enter into this dynamic are *use* values. Once a material good enters the marketplace (the spatial link between producers and consumers as subject-objects) it obtains an exchange value *in addition to* its use value. Such marketplaces have, of course, an incredibly long history going back at least to antiquity.¹⁰³⁶ However, Braudel, a careful historian of material existence if ever there was one, notes that until the eighteenth century, the market economy affected only a small minority of the global

¹⁰³⁵ Notably, these structures of daily life, the way he describes them, remain *material*: “What did people eat? What did they drink? How did they dress? What were their houses like?” The point is that for all the materiality of this existence, market exchange was not its essential basis, but rather its logical extension (just as capital is not the essential basis of markets, but rather its logical extension). Fernand Braudel, *Afterthoughts on Material Civilization and Capitalism*, trans. Patricia Ranum (Baltimore, Maryland: Johns Hopkins University Press, 1977), 6–7, 11.

¹⁰³⁶ Aristotle was already theorizing the distinction between use value and exchange value in antiquity. See Aristotle’s *Politics*.

population, and material life based in utility (rather than exchange) constituted the vast majority of human concerns and action.¹⁰³⁷

Just as the market economy emerges from material life, so too does capital and capitalism emerge from the market economy which, according to Braudel, has two forms: one that is down to earth, based in competition, and almost transparent; another that is sophisticated and domineering. Capitalism, as one might expect, is located in the latter.¹⁰³⁸ Echoed by VCs decades later, Braudel argues that capitalism is “the zone of the anti-market,” the domain in which the market economy degrades into a battle for monopolization.¹⁰³⁹ And so, just like Peter Thiel, Braudel believes monopoly is the essence of capitalism.¹⁰⁴⁰ All the same, capitalism depends on markets, which in turn depend on material life, and the transition (or subsumption) of material life *into* the market economy and of the market economy *into* capitalism is not a one-time historical process, but an ongoing process that continues into the present. As Braudel puts it:

“In reality, everything rested upon the very broad back of material life; when material life expanded, everything moved ahead, and the market economy also expanded rapidly and reached out at the expense of material life. Now, capitalism always benefits from such expansion. I do not believe Joseph Schumpeter was right in considering the entrepreneur a sort of *deus ex machina*.”¹⁰⁴¹

¹⁰³⁷ Braudel, *Afterthoughts on Material Civilization and Capitalism*, 40.

¹⁰³⁸ Braudel, 62.

¹⁰³⁹ Braudel, *The Wheels of Commerce*, II:230.

¹⁰⁴⁰ Peter Thiel, “Competition Is for Losers,” *Wall Street Journal*, September 12, 2014, sec. Life and Style, <https://online.wsj.com/articles/peter-thiel-competition-is-for-losers-1410535536>.

¹⁰⁴¹ Braudel, *Afterthoughts on Material Civilization and Capitalism*, 63.

That it will continue into the future is the speculative basis of innovation as the commercialization of invention. It is, as such, a clue to the substance of value underpinning innovation finance in general and the VC process in particular. If nothing else, the expansion of MS would appear related to the expansion of material life, and when MS expands new market opportunities emerge. When new market opportunities emerge, new opportunities for accumulation arise. And thus the engine of growth (G) underpinning the general formula for VC begins to take shape.

Market Space = Material Life?

One criticism leveled at Braudel is his relative neglect of social values, attitudes, and beliefs. To this list we might add social *desires*.¹⁰⁴² Braudel is arguably even more of a historical materialist than Marx or the Marxists, occasionally going so far as to describe the physical environment (e.g., mountain ranges) as a decisive determinant of social history.¹⁰⁴³ And yet, Braudel's later insistence that material life may also be described as the structures of everyday life—as habits, routines, incentives, pulsions, patterns, and ways of (re)acting; as a description of what we eat, how we dress, and what our houses are like—suggests that social values, attitudes, beliefs, and desires may be implicated in the character that material life takes at any given point in history.

¹⁰⁴² Oxford References, for example, highlight this as a general critique of Braudel's work. See <https://www.oxfordreference.com/display/10.1093/oi/authority.20110810104512715>

¹⁰⁴³ See Chapter 1 in Fernand Braudel, *The Mediterranean*, trans. Siân Reynolds, vol. I (Berkeley, CA: University of California Press, 1995).

As stated in the introductory chapter, it is an ontological assumption of my argument that the material world is not the sole determinant of social reality; the relationship between the material and ideal world—between what is often loosely referred to as the base and superstructure—is characterized by a complex, bidirectional causality. The material world shapes our ideas just as much as our ideas shape our orientation towards the material world, especially in the context of our material *practices*.

Thus, while we may accept Braudel's thesis that the basis of the market economy (and thus capitalism) is material life, understanding how and why material life might expand (or simply change) is crucial to the task of understanding how new or disrupted MS might become available for entrepreneurial actors to exploit in the market economy and through relations of capital accumulation. In a relatively finite world, the expansion of material life that is the basis of the expansion of MS, the market economy, and capitalism can only be explained in two ways: by a change in social values, attitudes, and beliefs (that is, by a change in our ideas about the world and its material potentiality), or by change in the material composition of the world (that is, by a change in the materiality of the world that in turn changes our ideas about the world).

That capital, the upper layer of Braudel's triptych, can produce use values by changing the use of things that already exist—land, for instance, as is the case with greenfielding—is well known. Also possible is the application of technical know-how to apparently new or familiar problems, of invention and, more importantly in the capitalist economy, of the *commercialization* of invention. Capitalists and

entrepreneurs can, as such, either produce new items of utility, or change existing items such that they gain new utility.¹⁰⁴⁴ In producing or changing utility, which implies producing or changing practices, a capitalist is able to produce or change the material world. In the context of MS, we might say that the capitalist is producing new MS, or disrupting existing MS.

In either case, capitalism might be described as making claims upon, and extracting from, what Sandro Mezzadra has described as “its multiple outsides”—not only “the materiality of the earth and biosphere” but also the “forms and practices of human cooperation and sociality” external to it.¹⁰⁴⁵ It is in this context that Braudel’s relative neglect of social values, attitudes, beliefs, and desires may render him shortsighted. According to Braudel, the structures of everyday life—material life—is the “lowest stratum of the non-economy, the soil into which capitalism thrusts its roots but which it can never really penetrate.”¹⁰⁴⁶ That is, for Braudel, material life—which he concedes remains the largest frontier of potential value for market economies and capital—at least in part eludes the grasp of rapacious capitalist accumulation.¹⁰⁴⁷ However, it is precisely through social values, attitudes, beliefs, and desires that capital—and especially VC given its willingness to invest in speculative trends and

¹⁰⁴⁴ David Harvey, *The Limits to Capital* (UK: Verso Books, 1999), 217.

¹⁰⁴⁵ Sandro Mezzadra and Brett Neilson, “On the Multiple Frontiers of Extraction: Excavating Contemporary Capitalism,” *Cultural Studies* 31, no. 2–3 (May 4, 2017): 188, <https://doi.org/10.1080/09502386.2017.1303425>.

¹⁰⁴⁶ Braudel, *The Wheels of Commerce*, II:229.

¹⁰⁴⁷ Braudel, II:229–30.

fads—can penetrate material life. Consider the following claim from *Crossing the Chasm*:

“The place where most crossing-the-chasm marketing segmentation efforts get into trouble is at the beginning, when they focus on a target market or target segment instead of on a *target customer*. Markets as categories are impersonal abstract things: the smartphone market, the gigabit router market, the office automation market, and so on ... We need to work with something that gives us more clues about how to proceed in the presence of real people with complex motives.”¹⁰⁴⁸

Marketing, the making of markets that we could associate with the transition from MS to MSh, does not focus on the market (an achievement, recall) but on the motivations of potential consumers. This can be the case even when a market already exists but the goal is to expand that market—to *grow* a market opportunity (by expanding its appeal to more and more consumers). In short, the basis of MS would appear to be a combination of material life along with the social values, attitudes, beliefs, and desires *pertaining to* material life. And so, when we encounter the common refrain in Marx and elsewhere that production works primarily on *nature*, it is necessary that we understand this term to not only invoke a natural and material world arbitrarily positioned “external” to the human subject, but also the nature of humans who

¹⁰⁴⁸ Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 110–11.

necessarily and unavoidably hold historically specific values, beliefs, attitudes, and desires, and by direct result of them engage in historically particular material practices.

II: FROM THE ENDLESS FRONTIER TO ENDLESS FRONTIERS

“The innovation economy begins with discovery and culminates in speculation.”
William H. Janeway, *Doing Capitalism in the Innovation Economy*, p.1

If you build it, they will come ($MS + HC \rightarrow MSh$)

Invention, the creation or discovery of something new via the application of knowledge, is not in its essence an instrumental act. Invention is the occasionally serendipitous product of practical engagements between ideas and the world. As we know, there is a gap between invention and innovation; the latter pertains to the commercialization of invention. In the latter case, invention gains instrumental utility for industry. It becomes *applied*, and not in the context of just any problem: it is applied to problem-solutions with commercial potential. Entrepreneurs, who may or may not be inventors, mobilize invention for industry and in doing so operate as the principal agents of innovation.¹⁰⁴⁹ Entrepreneurs reduce invention to pure instrumentality.

¹⁰⁴⁹ Benoît Godin, *The Idea of Technological Innovation* (Cheltenham, UK: Edward Elgar Publishing, 2020), 30, 70.

Regardless of its instrumentality, invention has the potential to change the material world, either by changing the constitution of natural elements or by changing the material practices of agents coping with the world. It is the exploitation of this change that defines the entrepreneurial function. The entrepreneur, according to management guru Peter Drucker, “always searches for change, responds to it, and exploits it as an opportunity.”¹⁰⁵⁰ And when (v)entrepreneurs apply the innovation process on a massive scale, they have the potential to change the material world on a massive scale.

VC permits speculative production to take place without the need for consumption and in doing so gives license to (v)entrepreneurial activity that can change the composition of the material world pre-emptive to any demand for that change. In a way, it allows for the development of solutions that prefigure their related problems. Thus, while production and consumption may appear (correctly) as two moments occurring in one process—as dialectically related—production plays a special role in the process as both its real point of departure and the dominant moment when seen analyzed from a logical standpoint.¹⁰⁵¹ Production introduces change, and through that act creates opportunity.

Of course, production can and does occur when there is neither present nor future demand, in which case it will have failed to find or produce a market. But if production occurs in response to existing demand, or in a way that induces change so

¹⁰⁵⁰ Peter F. Drucker, *Innovation and Entrepreneurship* (New York, NY: Harper & Row, 1985), 27–28.

¹⁰⁵¹ Harvey, *The Limits to Capital*, 80–81.

as to *induce* demand for whatever has been produced, then production will have been a success and a market will have been formed.

VC leads with production (before demand) not because it does not care about the potential market, but because production in existing MS (where others possess or are pursuing MSh) involves competition and commodification, and the goal of VC is monopoly and (at least initially) *productification*.¹⁰⁵² It seeks unknown MS as a means of maximizing opportunities for growth (G) and valorization (E'), and it is for this reason that VC gravitates towards HC in possession of relatively esoteric 'know-how' (i.e., professional or technical knowledge) and with it the ability to mobilize relatively novel applications of science and technology. If only a few possess the skills and aptitude to understand the means, then the ends may also be known to only a few (for now). Potentiality, part of the essence of MS, is thus closely tied to cutting-edge technology (broadly conceived as HC know-how). By building what no-one else is building, the VC process opens the opportunity not only to create value, but also to capture it.¹⁰⁵³

In Chapter 1, I described VC as a form of entrepreneurship because (1) it is incomplete without entrepreneurial agents, and (2) because it modifies the entrepreneurial process upon which it depends. One way of describing the symbiosis

¹⁰⁵² "Usually, when a company goes after a large and well-established market, they are competing for market share; when a company goes after a smaller, existing market, they are often among the first and are creating that demand." Ali Tamaseb, *Super Founders: What Data Reveals About Billion Dollar Startups* (New York, NY: Hachette Book Group, 2021), 132.

¹⁰⁵³ "[W]hat valuable company is nobody building? This question is harder than it looks, because your company could create a lot of value without becoming very valuable itself. Creating value is not enough—you also need to capture some of the value you create." Peter Thiel and Blake Masters, *Zero to One: Notes on Startups, or How to Build the Future* (London, UK: Virgin Books, 2014), 23.

between (v)entrepreneurial agents and VCs in the VC process is by treating (v)entrepreneurs as the agents of product creation and development (i.e., the agents mobilizing HC as technology, professional and technical know-how) and VCs as the assessors and promoters of market opportunities (i.e. the agents identifying and promoting the pursuit of MS).¹⁰⁵⁴ It is in fact not uncommon for (v)entrepreneurs to underestimate potential MS, and for VCs to promote the pursuit of bigger or different market opportunities for any given product idea.¹⁰⁵⁵

In thinking about the notion of underestimating potential MS, we are led to thinking about markets in terms of spatial metaphors of size. To say that a (v)entrepreneur has under- or over-estimated MS is to say that they have not adequately assessed the *addressability* of that potential market, and that they have somehow—perhaps due to a lack of experience, which is where HC'+HC enters the picture—inadequately grasped the opportunity in its immediate and mediated potential. To

¹⁰⁵⁴ “[T]he only thing that matters is getting the product right— developing a product that people want and use and love and will pay for—before you do all the other stuff ... Is there any downside to that kind of focus? It can be taken too far. A large number of founders are terrified of actually getting into a market. They use this approach as an excuse to never think about sales and marketing ... So what do you do? A guy comes in with a great product and no interest in the rest of it ... We administer a beating. [Laughs.] We basically say, Look, we understand. A 28-year-old who has built a great product and comes in here is not going to have much experience in sales and marketing ... If you don’t take sales and marketing seriously, nobody is ever going to know about you. Nobody is ever going to buy the thing. You’re going to end up losing. But if you want to take it seriously, here are the things we can do to help you.” Adi Ignatius and Marc Andreessen, “In Search of the Next Big Thing: An Interview with Marc Andreessen,” in *HBR’s 10 Must Reads on Entrepreneurship and Startups*, ed. Harvard Business Review, HBR’s Must Reads (Boston, Massachusetts: Harvard Business Review Press, 2018), 65.

¹⁰⁵⁵ To give just a couple of examples, Sam Altman famously told the founders of Airbnb to change the numbers on their pitch deck from millions to billions, as they did not see the true potential of the opportunity. Similarly, Worldcoin founder Alex Blania recounts being told by VC Chris Dixon “This is super interesting tech, but I think you don’t understand what a big deal it actually is.” Edd Gent, “Is Worldcoin a Crypto-Currency for the Masses or Your Digital ID? - IEEE Spectrum,” *IEEE Spectrum*, December 22, 2022, <https://spectrum.ieee.org/worldcoin>.

understand what I mean by this claim, let us examine some industry terms used for the purpose of assessing market “scale.” These are listed in Table 4.1.

TERM	DESCRIPTION
TAM	Total Addressable Market. How massive the market could conceivably be.
SAM	Serviceable Addressable Market. The segment of TAM within reach (what the market will realistically be)
SOM	Serviceable Obtainable Market. The portion of SAM that it is anticipated may be captured in a given time period (i.e., how much and how quickly market capture will take place).
Active Users ¹⁰⁵⁶	Measured daily or monthly.
Stickiness	How often users come back. Typically measured by dividing daily active users by monthly active users.
Churn Rate	The percentage of users who become inactive over a set period of time
ARPU/ARPPU	Average Revenue Per User and Average Revenue Per Paying User. Calculated by dividing total revenue by number of users, paying users, or both.
MRR/ARR	Monthly or Annual Recurring Revenue. Revenue from subscriptions or other transactions repeated at regular intervals). One measure of future cash flows.
NPS	Net Promoter Score. How satisfied and enthusiastic users or customers are. ¹⁰⁵⁷
LTV	Customer Lifetime Value. What a customer is worth to a producer.

¹⁰⁵⁶ Note, *not* customers.

¹⁰⁵⁷ Note again the distinction between users and customers.

CAC	Cost of Acquiring Customer. What a customer costs a producer.
-----	---

Table 4.1 – Measuring Market Value¹⁰⁵⁸

In this framework, mediated potential would pertain to a term like TAM, whereas SAM would pertain to the more immediate potential of an opportunity. By pursuing SAM, one may pursue TAM.

In thinking about addressability, we are thinking about the number of individuals who may be addressed—hailed, if you like—by a given product offering; we are making a statement about socially shared demand based on needs or wants that emerge often, if not always, as a *result* of the act of production.¹⁰⁵⁹ Another way of framing this is to say that market addressability is a way of quantifying (potential) socially shared desires, and the magnitude or scale of this addressability constitutes the magnitude or scale of the opportunity. Once the scale of opportunity is established, its “depth” can be measured in terms of the other measures in Table 4.1. Put differently, TAM, SAM, SOM constitute the inert opportunity, while active users, stickiness, churn rate, and so on, are all measures of *growth*.¹⁰⁶⁰

There are two ways in which entrepreneurial “opportunity” is commonly framed: either as an act of creation, or as an act of discovery. Scott Shane, in his book

¹⁰⁵⁸ Adapted from Burfield, *Regulatory Hacking: A Playbook for Startups*, 139. The book section in question was titled “Building startups has become a math problem.”

¹⁰⁵⁹ Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 35.

¹⁰⁶⁰ While NPS, stickiness, and churn rate may not immediately appear as a growth (G) metric, they are a precondition for the preservation of captured MS and thus of growth (G). If users or customers are not satisfied, they may stop using the product. If they stop using the product, then growth slows because a producer is losing users and customers at the same time as gaining them.

The General Theory of Entrepreneurship, describes these as Schumpeterian and Kirznerian opportunities respectively, named after the political economists Joseph Schumpeter and Israel Kirzner (Table 4.2). Shane’s point of departure is the observation that opportunities do not, in themselves, have agency. They require (to use the language of my argument) HC to exploit these opportunities and to transform them from MS into MSh.¹⁰⁶¹

Schumpeterian Opportunities	Kirznerian Opportunities
Disequilibrating	Equilibrating
Requires new information	Does not require new information
Very innovative	Less innovative
Rare	Common
Involves creation	Limited to discovery

Table 4.2 – Schumpeterian versus Kirznerian Opportunities¹⁰⁶²

Schumpeter is well known for the theory of creative destruction and for his emphasis on the entrepreneur as the principal agent of capitalist growth. Echoing much of the argument so far, he says:

“[T]he function of the entrepreneur is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried

¹⁰⁶¹ “[E]ntrepreneurship requires a decision by a person to act upon an opportunity because opportunities themselves lack agency ... opportunities do not spontaneously result in exploitation. Rather, they are exploited only when a human being acts.” Scott Shane, *A General Theory of Entrepreneurship* (Cheltenham, UK: Edward Elgar Publishing, 2003), 7.

¹⁰⁶² Taken from Shane, 21.

technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on.”¹⁰⁶³

For Schumpeter, the essence of innovation was “getting things done,” or of *materializing* ideas.¹⁰⁶⁴ Although VC did not yet exist at the time he was writing, we can easily see how VC accentuates this possibility by giving entrepreneurs with radical ideas the means (temporal, spatial, monetary) to realize them. Arguably, Schumpeter’s pessimism about the long-term viability of capitalism may well have been negated by the advent of VC as a countervailing force against the tendency for falling rates of profit and what he perceived to be the increasing stagnancy of innovation.

Kirzner, on the other hand, identified opportunity as a process of discovery. If the essence of Schumpeterian opportunities (MS) is the creation of new information and the instigation of material change, then the essence of Kirznerian opportunities (also MS) resides in discovering unknown (pre-existing) information and reinforcing the status quo.¹⁰⁶⁵ While Schumpeter’s political economy is encapsulated in the concept of creative destruction, Kirzner’s is embodied by the (seemingly puerile yet entirely serious) principle of “finders-keepers.” He explains this as follows:

“The alert entrepreneur has discovered an opportunity to which no one else has hitherto laid claim, an opportunity in fact, of which no one was even aware

¹⁰⁶³ Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition*, 132.

¹⁰⁶⁴ Schumpeter, 132.

¹⁰⁶⁵ Shane, *A General Theory of Entrepreneurship*, 20–21.

(otherwise that opportunity would already have been snapped up). By discovering and grasping this pure profit opportunity the alert entrepreneur is in exactly the same situation as one who finds and grasps an unowned object before it has been found by anyone else. According to a finders-keepers rule, he is fully entitled to what he has found.”¹⁰⁶⁶

As Shane notes, both Schumpeterian and Kirznerian opportunities may be present in an economy at the same time. This, I would venture, stands true, and is merely a way of describing opportunities that emerge through the creation of new and *disrupted* MS respectively.

In either case there is the need to justify possession and private ownership. In Schumpeter’s case the claim for legitimate ownership, of private property, is that the entity monopolized by an entrepreneur was created by them in the first place.¹⁰⁶⁷ For Kirzner, on the other hand, it is justified by Lockean claims of entitlement through the admixture of labor with the world as it is given.¹⁰⁶⁸ In either case, the goal is to find and capture unknown MS and, through entrepreneurial action, to convert that MS into MSh.

¹⁰⁶⁶ Israel M. Kirzner, *Discovery, Capitalism, and Distributive Justice* (Indianapolis: Liberty Fund, 2016), 107–8.

¹⁰⁶⁷ Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition*, 101.

¹⁰⁶⁸ Kirzner, *Discovery, Capitalism, and Distributive Justice*, 96.

The Eternal Recurrence of Frontier Mythologies

Underpinning both Schumpeterian and Kirznerian accounts of entrepreneurial opportunity, and with them the VC-Entrepreneur process of growth, are assumptions about property and the unclaimed titles on material life. Either the opportunity was created *ex nihilo* or its pre-existing presence remained unknown, unvalorized, and thus justly “up for grabs.” In either case, these claims invoke questions related to primitive accumulation and of colonial and extractivist practices.

This observation in some ways explains the innovation economy’s penchant for invoking frontier metaphors and analogies. The “Frontier Thesis” popularized by Frederick J Turner in 1893, argues that settler colonial practices on the American frontier were instrumental in the formation of a distinct American culture—a culture characterized by pioneering spirit, democratic populism, and a general distrust for establishment control (which should, by now, sound familiar):

“American democracy was born of no theorist’s dream; it was not carried in the *Susan Constant* to Virginia, nor in the *Mayflower* to Plymouth. It came out of the American forest, and it gained new strength each time it touched a new frontier. Not the constitution but free land and an abundance of natural resources open to a fit people, made the democratic type of society in America for three centuries while it occupied its empire.”¹⁰⁶⁹

¹⁰⁶⁹ Frederick J. Turner, *The Frontier in American History* (New York, NY: Henry Holt and Company, 1920), <https://www.gutenberg.org/files/22994/22994-h/22994-h.htm>.

Given the anti/establishmentarian ambivalences inherent to this statement, it should not be surprising that VC and the innovation practices it propels lean so readily into frontier metaphors. VC, as a symbol of progress (economic growth), embodied in a culture of manifest destiny (the Silicon Valley Consensus), and of a class of people deemed “fit” to inherit the space they discover or put to use (the Stratified Venture Class), *as an agent of reproduction and renewal* reproduces the frontier sensibility over and again in the present. It is as such no accident that the full title of Tom Nicholas’ authoritative history of VC is *VC: An American History*. VC is merely the latest (albeit sanitized) manifestation of American history based on accumulation by dispossession and settler colonialism; a history justified by the unjustifiable principle of *terra nullius*.¹⁰⁷⁰

Legal scholar Julie E. Cohen notes that *terra nullius* is based on both the Lockean principle of natural abundance (“in the beginning, all the World was America”) and the problematic assumption of an absence of prior claims to the world. It is through this dual assumption that the notion of a “public domain” so familiar to proponents of Intellectual Property law (a means of legalized monopolization) is contrived and given justification.¹⁰⁷¹ In reality, of course, what this actually means is

¹⁰⁷⁰ Even Marx would suggest that America was unique in its practices of primitive accumulation, for it was developed in a purely capitalist manner and required no act of “enclosure” as did the English commons. The unfortunate fact is that the Americas *were* inhabited and claims *terra nullius* was merely an exercise of colonial power. It is in such claims and justifications that Kirzner’s principle finders-rule is based, and can at least be held up as an honest account of capitalist accumulation (by dispossession). It is also against such claims and justifications that Schumpeter’s claims concerning “creation” appear suspect and more akin to the lies and conceptual engineering of *terra nullius*. See Chapters 31 and 33 of Marx, *Capital*.

¹⁰⁷¹ Cohen, “The Biopolitical Public Domain: The Legal Construction of the Surveillance Economy,” 215; John Locke, *Two Treatises of Government*, ed. Peter Laslett, Cambridge Texts in the History of Political Thought (Cambridge, UK: Cambridge University Press, 1988), 301.

that there were no prior claims made under the Western institution of private property, a point that Matt Sparke has cogently shown immediately present problems for dwellers and inhabitants who predate any given colonial enterprise and who do not recognize the legitimacy of the institution of private property in the context of resources such as land and space.¹⁰⁷² Native claims to occupancy and use, based on traditional—and more importantly, non-capitalist—ontologies, were historically deemed illegitimate and thus non-existent. Because the space had not been used in accordance with Western understandings of value, their value under Western terms of engagement was available for the taking—finders-keepers, as Kirzner would put it. And yet, is this so different to Schumpeter’s notion of creative destruction? After all, for something to be destroyed in the act of creation, it needs to have existed in the first place.

That frontier metaphors are so freely used by SVC actors, despite the unsavory overtones of settler colonialism, would appear at first to be facilitated by a sanitization of the frontier as a domain of pioneering rather than colonizing spirit (as if the two are unrelated). It is, as historian Margaret O’Mara wryly puts, an unfortunate historical analogy containing “plenty of John Wayne, and very little Native American history.”¹⁰⁷³ Even more unfortunate are those occasions when settler colonialism—minus the extreme violence—is explicitly invoked and promoted as a laudable goal.¹⁰⁷⁴

¹⁰⁷² Matthew Sparke, *In the Space of Theory: Postfoundational Geographies of the Nation-State* (Minneapolis: University of Minnesota Press, 2005), 5.

¹⁰⁷³ O’Mara, *The Code*, 287.

¹⁰⁷⁴ Craib notes that VC-backed startups like the “Seasteading Institute” are explicit references to frontier colonialism, in this case to the homesteading process by which white settlers colonized native American lands under a series of legitimizing acts by the US government: The Homesteads Act of 1862, the Desert Land Act of 1877, and the Dawes Act of 1887. Raymond B. Craib, *Adventure*

Consider, for example, what the authors of *Blue Ocean Strategy*, describe as the “Pioneer-Settler-Migrator” (PMS) map. In this model, pioneers “create” blue oceans by “pushing value to new frontiers,” settlers operate in red oceans producing value conforming to established industries, and migrators move between the two spaces.¹⁰⁷⁵ Curiously, Geoffrey Moore (similarly writing about how to capture MS), also speaks of pioneers, settlers, and migrators, and on an almost identical register, yet neither Moore nor Kim and Mauborgne cite or acknowledge one another.¹⁰⁷⁶ One can deduce from this that either the settler colonial metaphor has become a common shared wisdom among SVC types (so common it does not need to be attributed), or is so integral to their practices that it emerges as the natural underlying essence of entrepreneurial practice.

Science: The Endless Frontier

The association between innovation and frontier metaphors pre-dates the advent of VC and finds its most well-known statement in Vannevar Bush’s 1945 report to the Office of the President, *Science: The Endless Frontier*.¹⁰⁷⁷ The report’s invocation of the

Capitalism: A History of Libertarian Exit, from the Era of Decolonization to the Digital Age (Oakland, CA: PM Press, 2022), 206.

¹⁰⁷⁵ It is worth noting that Schumpeter also invokes the ocean as a metaphor for entrepreneurial opportunity and uninhabited space: “Technological possibilities are an uncharted sea.” Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition*, 118.

¹⁰⁷⁶ Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 225.

¹⁰⁷⁷ The report was prepared at the behest of President Franklin D. Roosevelt but ultimately delivered to newly sworn-in President Harold Truman. Vannevar Bush, “Science: The Endless Frontier” (Office of Scientific Research and Development, July 1945), <https://www.nsf.gov/od/lpa/nsf50/vbush1945.htm>.

frontier in this report most likely originates from the person who requested it, President Franklin D. Roosevelt. The report quotes Roosevelt in 1944 saying:

"New frontiers of the mind are before us, and if they are pioneered with the same vision, boldness, and drive with which we have waged this war [i.e., World War II] we can create a fuller and more fruitful employment and a fuller and more fruitful life."

While Bush, then Director of the Office of Scientific Research and Development, wrote his report with industry and commercial applications in mind, what distinguishes his own account of the frontier from subsequent and contemporary accounts is its singular nature and basis in human knowledge.¹⁰⁷⁸ Scientific progress, which the report deems essential, is framed specifically in the context of post-war peace and national recovery. The motivation behind Roosevelt's request for the report was to harness in peacetime the energy of innovation that wartime had made necessary. It was, furthermore, specifically oriented towards producing outcomes for public welfare and the common good (including, but not limited to, opportunities for private organizations). There were four points the report was to address: a strategy for publicizing scientific innovations made in the course of achieving wartime strategic objectives; a continuation of "the

¹⁰⁷⁸ Bush reserves special attention to the importance of basic research as a means to all other, applied (and instrumental) research ends. Notably, he says "Basic research is performed without the thought of practical ends. It results in general knowledge and an understanding of nature and its laws. This general knowledge provides the means of answering ... practical problems ... Basic research leads to new knowledge ... [it] is the pacemaker of technological progress." Crucially, Bush's report also notes that "Basic research is a long-term process – it ceases to be basic if immediate results are expected on short-term support." It is, as such, unsuited to the exigencies of capitalist accumulation. Basic research begins, rather, as we saw in the last chapter, at universities. Hence the innovation clustering around educational centers that is so important to SVC. HC (captured or not) mobilizes basic research.

war of science against disease” (i.e., medicine research); policy recommendations for how the government could aid future public and private research activities (including the proper roles for public and private research); and a program for discovering and developing scientific talent among American youth. While a place was reserved for private sector research, this was invoked in the spirit of broader public welfare and towards the short-lived goal of full employment in the postwar recovery period—a goal that, as we know, was soon to be replaced with another: economic growth.

The Endless Frontiers of Venture Capital

It is in the subsequent blurring of basic and applied research that the demand for and phenomenon of VC emerges. In the postwar period, as the Cold War materialized and capitalism became the defining characteristic of American identity, the endless frontier of science was gradually eclipsed by the endless frontiers of capitalism as public welfare was progressively substituted for private wealth. It is when innovation as invention and basic research was reduced to the innovation as the commercialization of invention (not just applied research, but research applied to capitalist enterprise) that economic growth became the *summum bonum* of American postwar economic and political strategy.

Benoît Godin traces this development as discursive shift from technological unemployment in the 1920s depression era (i.e., the social distrust of innovation as a “job killer”) to technological change in the 1930s (i.e., the acceptance that innovation produces jobs just as much as it destroys them), and then to a narrower application of

technological change as a term restricted to production and industry in the 1940s (the era that Schumpeter emerges as an influential voice in the evangelization of innovation and entrepreneurship). By the time Vannevar Bush delivered his report in 1945, the discourse had shifted yet again from technological change to technological progress, and by the 1950s and 1960s technological progress in terms of industry—as opposed to science and basic research—had become a hot policy issue. As the US Council of Economic Advisers put it in 1964: “technological advance is seen as a key element in economic progress.”¹⁰⁷⁹ It is amidst this milieu of “growthmanship” supported by public policy that innovation adopted its contemporary guise as the essential ingredient of capitalist reproduction and renewal.¹⁰⁸⁰

Running parallel to these developments, as the postwar military complex was ramping up for the Cold War, Silicon Valley emerged as a hotbed of basic and applied research, with military contracts in free flow and a congregation of HC forming in and around Stanford University in particular.¹⁰⁸¹ Bush’s report, combined with a growing unease concerning Soviet technological and scientific advances, led to an inflow of research money for universities during this period (1950s-1970s). While MIT and Harvard predominated as public grant awardees, their focus remained on delivering government contracts that would meet strategic objectives framed—nobly or not—

¹⁰⁷⁹ Quoted in Godin, *The Idea of Technological Innovation*, 15.

¹⁰⁸⁰ Godin, 2, 10–16.

¹⁰⁸¹ Bush’s proposal for a National Science Foundation (to fund basic research) was realized in 1949 when Congress received word that the Soviet Union had developed a nuclear bomb. In response the Truman Administration issued an authorization for military spending which, given the importance of high-tech weaponry, amounted to a massive investment in basic scientific and technological research. O’Mara, *The Code*, 23.

around objectives tied to the common, public good (which, in the context of the Cold War would be reduced to the triumph of capitalism over communism). Stanford, under the stewardship of Fred Terman, at first followed the same pattern, though with an explicit intent to pursue applied research in addition to the basic research championed by Bush's report. Exploiting its massive, sprawling land holdings, Stanford was able to expand and develop its research facilities to a degree not possible at other research universities. This allowed it to quickly match and surpass its East Coast rivals in terms of grant awards.¹⁰⁸² However, it is at this crucial juncture that Stanford decided to forge its own unique path for applied research, increasingly partnering with private industry as opposed to the government, setting in motion a historic shift in the way that innovation is framed in terms of economic progress and private enterprise.

It is amidst the growing interest in the cutting edge basic and applied research emerging from Stanford that the phenomenon of VC arises—if for no other reason than to shepherd the transition from university supported research into the capitalist system. Great ideas were in no short supply; it was the capital required for their execution that was scarce (capital by this stage being the only way innovation could be conceptualized).¹⁰⁸³ And it was not so much technology that was flowing from Stanford into the private sector as it was the HC that could wield it. This is the moment that Silicon Valley (*eidōs; topos*) crystallizes around the growth of HC.

¹⁰⁸² O'Mara, 26–32.

¹⁰⁸³ Tom Nicholas, *VC: An American History* (Cambridge, Massachusetts: Harvard University Press, 2019), 109–10.

Concomitant to this shift in the framing of innovation along with its intended domain of utility—private enterprise—comes the fragmentation of the frontier of knowledge. While basic research, the endless frontier of science, pertains to the singular goal of expanding human knowledge, applied research, by nature of having concrete “applications,” devolves into discrete domains and goals. As long as applied research remained confined to the domain of government contracts awarded in the pursuit of public welfare and the common good one could argue that there remained a singular frontier. But once applied research became the fuel of industry and those discrete domains and goals became framed as discrete *markets*, the endless frontier of human knowledge became the endless frontiers of human production and consumption.

By the 1970s, with Keynesianism in decline amidst widespread economic stagflation, the US Federal Government began to look for new sources of economic growth, determining that high technology could be that source. The Democratic Party in the US had previously resisted the orthodoxies of trickle-down economics, tax breaks, and the general boost of private sector welfare, but this era introduced a new hegemonic consensus around business as the driver of social, economic, and political prosperity. It was in this milieu the NVCA issued its landmark white paper, *Emerging Innovative Companies: An Endangered Species*, and the newly installed Carter Administration began the two-part process of relaxing investment rules (i.e., the Prudent Man rule prohibiting pension funds from investing in risky asset classes) and of aggressively reducing capital gains tax rates.¹⁰⁸⁴ With the floodgates of private

¹⁰⁸⁴ O'Mara, *The Code*, 161–63, 170–71.

capital now open for small, innovation-driven firms pursuing novel market opportunities, the frontier ceased to be about basic research in the pursuit of human knowledge or applied research in the pursuit of public welfare, and took shape as an industry that sought to apply the creatively destructive, boundary remaking outputs of innovation as a means to producing finders-keepers opportunities for private wealth interests.

The conceptual shift from an endless frontier to endless frontiers is significant. Whereas the singular frontier of science as the domain of knowledge seeking practice implies a shared space, a common plain in which all may participate and from which all may share in the benefits, the multiple frontiers of capitalism imply closed spaces of private enclosure, in which supposedly undeveloped spaces of social knowledge and action are no longer the remit of the government—as Bush asserted the frontier of scientific basic research most definitely was—but of private profit-seeking actors. By segmenting the world into frontiers and reframing these frontiers as inherently corresponding to market logics (the precondition of capitalist accumulation and the trademark move of neoliberalism), the space of human knowledge and practice becomes market space, a space of potential human consumption and production.¹⁰⁸⁵ Human opportunities become entrepreneurial opportunities. The space of the frontier, the unknown territories of human existence, become opportunities for capital to

¹⁰⁸⁵ Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France 1978-1979* (New York: Picador, 2008); Wendy Brown, “Neo-Liberalism and the End of Liberal Democracy,” *Theory & Event* 7, no. 1 (November 6, 2003), <https://doi.org/10.1353/tae.2003.0020>.

capitalize unknown—and thus uncaptialized—market space.¹⁰⁸⁶ Thus, the internet becomes an “electronic frontier” ripe for “homesteading,” big data becomes a frontier for “new oil” prospecting, the human genome becomes the frontier for production of a “fit people,” and outer space becomes a frontier for meteor mining and interplanetary colonization.¹⁰⁸⁷ The list is endless.

Innovation produces market space by expanding potential applications for material life. However, rather than the endless frontier of science being put to the service of material life, material life is put to the service of the endless frontiers of capitalism. The question becomes less “how can science serve material life?” and more “how can material life, through the medium of science, serve capital?” How can material life, which Braudel (whose frame of analysis notably ends in the eighteenth century) says capital can never fully penetrate, be penetrated by new modes and applications of knowledge made possible by scientific and technological progress? When capitalism reaches its limits, it finds ways to surpass them through destructive tendencies, including crises. The question becomes “how can we penetrate the

¹⁰⁸⁶ To give an example, Nat Turner of Flatiron Health notes that his entire business was built from the observation that historically only four percent of all cancer patient information has been available to the private sector because only four percent of cancer patients go into clinical trials. His market space is the remaining 96%. This is what he seeks to capitalize. Tamaseb, *Super Founders*.

¹⁰⁸⁷ Howard Rheingold, *The Virtual Community: Homesteading on the Electronic Frontier* (Massachusetts, USA: MIT Press, 2000); James Manyika et al., “Big Data: The next Frontier for Innovation, Competition, and Productivity” (McKinsey Global Institute, May 2011), https://www.mckinsey.com/~media/mckinsey/business%20functions/mckinsey%20digital/our%20insights/big%20data%20the%20next%20frontier%20for%20innovation/mgi_big_data_exec_summary.pdf; Stephen S. Hall, *Invisible Frontiers: The Race to Synthesize a Human Gene* (Atlantic Monthly Press, 1987); Torill Kornfeldt, *The Unnatural Selection of Our Species: At the Frontier of Gene Editing* (Legend Press US, 2022); Richard Waters, “Elon Musk Rejects Claims He Is Squeezing out Rivals in Space,” *Financial Times*, December 29, 2021, <https://www.ft.com/content/18dc896f-e92f-41f7-9259-69cfd8d61011>.

impenetrable frontiers of material life that currently represent a limit to capitalist accumulation?” How, that is, can capital transform the limits of capital, which constitute hard boundaries, into the frontiers for capital that open up new spaces ripe for accumulation by dispossession? To expand and penetrate material life for the purposes of value extraction, capital must change precisely the social values, beliefs, attitudes, and desires that Braudel neglects.¹⁰⁸⁸ Changing our social values, beliefs, attitudes, and desires towards knowledge, innovation, and science, is but only the first step.

III: MULTIDIMENSIONAL GREENFIELDS

“Technology reveals the active relation of man to nature, the direct process of the production of his life, and thereby it also lays bare the process of the production of the social relations of his life, and of the mental conceptions that flow from those relations.”¹⁰⁸⁹

Karl Marx, *Capital: Volume I*, p.493

¹⁰⁸⁸ “It is not only when the operations of capital plunder the materiality of the earth and biosphere, but also when they encounter and draw upon forms and practices of human cooperation and sociality that are external to them that we can say that extraction is at stake ... extraction, once it is understood in this expanded sense, highlights the relevance of capital’s relation with its multiple outsides.” Mezzadra and Neilson, “On the Multiple Frontiers of Extraction,” 188.

¹⁰⁸⁹ Karl Marx, *Capital: A Critique of Political Economy: Volume One*, trans. Ben Fowkes (London, UK: Penguin Books, 1976), 493.

Expanding the Limits to Capital

Whereas limits constitute barriers or boundaries that cannot be surpassed, frontiers symbolize limits, boundaries, or barriers that sit astride a wilderness ripe for exploration. Capitalism, says Marx, simply cannot abide by its limitations. When confronted with limits, it inexorably strives towards the wilderness, destroying everything—including its present form—in the process.¹⁰⁹⁰ Capitalism is thus inherently suited to the frontier rationale.

The major limits that capital faces are spatial and temporal, each dimension of which is related to the other. The compression or contraction of one implies the compression or contraction of the other.¹⁰⁹¹ When space is compressed or contracted, capital can move more quickly through it, thus compressing or contracting its temporal flow. We saw in Part I how VC uses equity-based finance and term sheet stipulations to enact a temporal fix—contracted time—that permits it to overcome and even exploit temporal limitations in the relation between growth (G) and realization (M'). But what of its spatial dimensions?

David Harvey theorizes capital's strategy to overcome space as a "spatial fix," the term "fix" being used in three ways: (1) to secure something in place, (2) to feed a

¹⁰⁹⁰ "Capitalist production constantly strives to overcome these immanent barriers, but it overcomes them only by means that set up the barriers afresh and on a more powerful scale." Karl Marx, *Capital: A Critique of Political Economy: Volume Three*, trans. David Fernbach (London, UK: Penguin Books, 1981), 358.

¹⁰⁹¹ As stated elsewhere in this dissertation, the major difference between compression and contraction is that the former acts upon an object or process from the outside, tightening its elements; the latter internally draws those elements in upon the object or process to produce a density formed through a 'bringing together.'

need, and (3) to resolve a difficulty. Just as problems such as oversupply and undersupply can be mitigated (to a degree) by complex financial engineering, so too can they be mitigated or even overcome by acts of spatial engineering facilitated by scientific and technological innovation.¹⁰⁹² Thinking in purely geographical terms, modern developments in transport and communications technology have reconfigured space in various ways to allow for *global* production and consumption as a counterweight to problems of regional or national oversupply and undersupply. By tearing down or moving fixed capital (e.g., infrastructure) in acts that might be described as “creative destruction,” capital allows itself new avenues for profit—developments often articulated under the catch-all phrase “globalization.”¹⁰⁹³

As globalization has become commonplace, however, capital has found itself floundering in terms of spatial fixes, incessantly employing the same strategies only to find that as they have become generalized the profits to be realized have diminished and become harder to obtain. It is amidst the desperate attempt to maintain and even accelerate capital’s growth trajectory that the agents of capital—firms, investors, states, and so forth—have looked to innovation as a means of navigating potential crises, and of opening up new “spaces” for capitalist accumulation.

The benefits of new “space” have already been outlined, primarily in terms of the supposedly free terrain that capital is able to navigate and monopolize. But the other benefit of new space is the opportunity to take possession of “free” and “natural”

¹⁰⁹² Harvey, “The ‘New’ Imperialism,” 63–64.

¹⁰⁹³ David Harvey, “Globalization and the ‘Spatial Fix,’” *Geographische Revue* 2 (2001).

resources—resources that supposedly have no prior property claims against them *and* that few others are scrambling to take possession of. For Marx, the taking possession of supposedly free and natural resources—primitive accumulation—is a myth, one he wryly refers to as “*so-called* primitive accumulation” (emphasis added).¹⁰⁹⁴ The true history of capital involves violent dispossession: the enclosure of the commons; the making private of public goods; the capitalization of uncaptialized material life.

As David Harvey and Massimiliano Tomba have both shown, the flaw in Marx’s argument is in treating so-called primitive accumulation as a one-time act of dispossession. In terms of temporality, Tomba says the historicist perspective through which Marx and his acolytes read the process is problematic. This view presents capitalism as a linear progression unfolding through distinct and definite stages of history. It suggests that once, say, large-scale industrialization has been achieved, so-called primitive accumulation has ended. The reality, however, is that as technological innovation improves a capitalist’s capacity to extract relative surplus value and a gap opens up between those that possess the advanced technology and those that do not, less advanced actors can simply resort to an intensification of absolute surplus value capture as a means of compensation. That is, the duration of labor can be increased instead of its efficiency, leading some capitalists to engage in forms of modern-day slavery. Such practices are not an anachronistic anomaly, but consistent with the ongoing imperatives of the world market.¹⁰⁹⁵

¹⁰⁹⁴ Part Eight, Marx, *Capital*.

¹⁰⁹⁵ Massimiliano Tomba, “Historical Temporalities of Capital: An Anti-Historicist Perspective,” *Historical Materialism* 17, no. 4 (2009): 44–65.

Harvey, on the other hand, looks at the myth of primitive accumulation from a spatial perspective. He shows that Marx's description of the process includes a number of processes, including:

“the commodification and privatization of land and the forceful expulsion of peasant populations; conversion of various forms of property rights – common, collective, state, etc. – into exclusive private property rights; suppression of rights to the commons; commodification of labour power and the suppression of alternative, indigenous, forms of production and consumption; colonial, neo-colonial and imperial processes of appropriation of assets, including natural resources; monetization of exchange and taxation, particularly of land; slave trade; and usury, the national debt and ultimately the credit system.”¹⁰⁹⁶

His point in enumerating these processes is to argue, like Tomba, that these are not remnants of the past, but elements of capitalism's present historical geography. In some cases, these processes are even more prominent now than in Marx's time. To avoid the invocation that “primitive” makes of some distant historical event, Harvey renames this process “accumulation by dispossession”. He argues that through financial (temporal) and spatial fixes, capital continues to dispossess material life as a way of accumulating the means of production and does so in a way that further divides capital and the capitalists from everyone else. Through intellectual property (IP) rights, for instance, natural (including genetic) materials are taken from and sold back to populations who brought them into being; environmental degradation across the land, sea, and air,

¹⁰⁹⁶ Harvey, “The ‘New’ Imperialism,” 74.

continues apace in locations with less protective legal regimes; public services and utilities such as universities, postal services, water, and so on, are continuously privatized and corporatized (even in developed nations); and culture and creativity are continuously produced and consumed by capital in the name of profit.¹⁰⁹⁷ These are not historical curiosities, but clear and present features of the system within which we all live.

The Multidimensional Spatial Fix

While Harvey gestures towards the notion of relative space in his description of the processes of accumulation by dispossession, his account of the spatial fix tends to be grounded in absolute space and the physical or geographical limitations this infers.¹⁰⁹⁸ He says, for example:

“[C]apitalism has to fix space (in immoveable structures of transport and communication nets, as well as in built environments of factories, roads, houses, water supplies, and other physical infrastructures) in order to overcome space (achieve a liberty of movement through low transport and communication costs). ... it has to build a fixed space (or “landscape”) necessary for its own functioning at a certain point in its history only to have to destroy that space (and devalue much of the capital invested therein) at a

¹⁰⁹⁷ Harvey, 75.

¹⁰⁹⁸ Harvey notes in *The Limits to Capital* that absolute space invokes the “principle of individuation established through exclusivity of occupation of a certain portion of space—no two people can occupy exactly the same location in this space and be considered two separate people.” Relative space, on the other hand, long given priority in the physical sciences, allows for richer explanations of exchange processes. In the latter, space is not a fixed constant, but a malleable, perspectival substrate. See Harvey, *The Limits to Capital*, 339.

later point in order to make way for a new “spatial fix” (openings for fresh accumulation in new spaces and territories) at a later point in its history.”¹⁰⁹⁹

Placing notions of absolute and relative space in tandem, however, reveals the meaning of Schumpeter’s claim that economic frontiers must not be confused with or subordinated to geographical frontiers (see epigraph). As Harvey no doubt understands, the spatial fix is not merely about overcoming the limitations of absolute space, but also about exploiting the opportunities of relative space. Thus economic, *market* space offers an outlet for the limitations of geography that would otherwise entail less subtly destructive acts of “creation.” For whatever reason, though, neither Harvey nor Schumpeter push their argument towards its full implications: the possibility of MS as fulfilling a multidimensional spatial fix—of folding and thus contracting relative space *into* absolute space.

To understand what I mean by this claim, consider the so-called “metaverse,” a hotbed of VC investment and a perfect example of the multidimensional spatial fix. At first glance, virtual and augmented reality (VR/AR) may seem like a fanciful and inconsequential distraction to a world of oil mining, hedge funds, privatized utilities, and so on. But for many investors and entrepreneurs the metaverse is being framed as a new gold rush. While Meta (formerly Facebook) takes all the headlines in this space, it is just one actor scrambling for influence along this new frontier. Others, such as Somnium, The Sandbox, Decentraland, and Cryptovoxels, although not yet household

¹⁰⁹⁹ Harvey, “Globalization and the ‘Spatial Fix,’” 26.

names, are already being described as the “big four” of metaverse real estate. These VC-backed startups are taking possession of metaverse space on the wager that one day others, potentially all of us, will have an interest in dwelling in that “space.” But by then to “dwell” in such space will be impossible, for all we will be able to do is “consume.” Other startups, such as SuperWorld and Upland, taking an AR approach to spatial accumulation, are selling real-world addresses and landmarks as virtual parcels to private speculators.¹¹⁰⁰ It could be that an individual’s house or local park has already been dispossessed, valorized, and sold in the metaverse without them even knowing. And by the time future generations are willing to take an interest, or governments and legislators have been engaged to provide regulatory guidance, *de facto* property rights in the metaverse will have already been established and through various mechanisms such as End User Licensing Agreements (EULAs) will have progressively become *de jure*. As Jack Dorsey, founder of Twitter, notes in reference to “web3,” the technological paradigm underpinning the metaverse that promises libertarian, *frontier*-like freedom and power decentralization: “You don’t own “web3.” The VCs and their LPs do. It will never escape their incentives. It’s ultimately a centralized entity with a different label.”¹¹⁰¹

The metaverse is literally a virtual dimension of space layered on top of physical space (e.g., an individual’s body). It allows consumption and production to take place

¹¹⁰⁰ Nick Statt, “Metaverse Real Estate Is Booming,” *Protocol*, February 12, 2022, <https://www.protocol.com/entertainment/video-game-real-estate-metaverse>.

¹¹⁰¹ <https://twitter.com/jack/status/1473139010197508098?s=20>. Andreessen, who violently objected to Dorsey’s tweet, has invested \$10 billion plus in web3 firms underpinning the metaverse.

on two (or more) dimensions simultaneously. It is, as such, a way of overcoming capital's spatial limitations by unfolding the spatial dimensions upon which accumulation may take place. When we consider that the same individual may—at the same time as navigating the metaverse—be wearing a fitness monitor, charging their EV, listening to a streaming music service, having their genome analyzed, their location tracked by satellites, their home monitored for intruders, all while a vaccine operates on their DNA, all of which are capitalized products and services, we can see how multiple dimensions of MS open up to provide capital with a multidimensional spatial fix for capitalist production and consumption.

While some have spoken of a “digital spatial fix,” this limits the concept too narrowly. Alongside digital *frontieresque* extraction processes such as cryptocurrency “mining” and “gold farming” through professional gaming practices,¹¹⁰² or data extraction framed as accumulation by dispossession,¹¹⁰³ VC makes investments in meteor mining, Agtech technologies to feed carbon captured from the atmosphere back into the soil, and DNA extraction technologies, showing how the spatial fix extends into outer space, atmospheric space and the fertile substrate, and genomic space to

¹¹⁰² Bitcoin mining involves solving complex algorithmic problems in exchange for Bitcoin rewards. It is resource intensive from a computational perspective and uses a great deal of electricity. Gold farming is a practice in which workers are employed to play computer games professionally, accumulating in-game currencies which may be sold to other players for hard cash. Mezzadra and Neilson, “On the Multiple Frontiers of Extraction,” 193.

¹¹⁰³ Jim Thatcher, David O’Sullivan, and Dillon Mahmoudi, “Data Colonialism through Accumulation by Dispossession: New Metaphors for Daily Data,” *Environment and Planning D: Society and Space* 34, no. 6 (December 1, 2016): 990–1006, <https://doi.org/10.1177/0263775816633195>; Nick Couldry and Ulises A. Mejias, “Data Colonialism: Rethinking Big Data’s Relation to the Contemporary Subject,” *Television & New Media* 20, no. 4 (May 1, 2019): 336–49, <https://doi.org/10.1177/1527476418796632>.

name but three of a seemingly infinite number of potential market spaces.¹¹⁰⁴ Still inchoate, these massive market spaces are, furthermore, still in the process of being segmented into smaller, more easily monopolizable market spaces that will have already been dominated by the time most consumers know they exist. It is not for nothing that commentators such as Thatcher et al. have explicitly employed the term “accumulation by dispossession” when speaking of data extraction in the digital economy; however, in the speculative, *prospective* context of VC, the possibilities and opportunities for accumulation by dispossession are endless; anywhere that VC sees the opportunity to privatize something previously treated as held in common, they see the opportunity for value capture through the multidimensional spatial fix.¹¹⁰⁵ Anywhere or how the world may be framed in terms of abundance, with no prior claims to that abundance, the world may be framed as a public domain and thus left open to free appropriation by private actors.¹¹⁰⁶

¹¹⁰⁴ While I am drawing attention here to non-digital MS, I do not want to downplay the significance and ubiquity of digitization. Marc Andreessen is wrong about many things, but he was most likely right when proclaimed that software was “eating the world” (although let us not ignore that this development is a choice, largely realized by actors such as Andreessen who pursue this future vision of the world as unquestionably good). Almost everything new nowadays has a digital component. Even the mRNA COVID-19 vaccines were sequenced in digital software—meteor mining agtech also similarly depend upon digitization. Marc Andreessen, “Why Software Is Eating the World,” *Wall Street Journal*, August 19, 2011, sec. Life and Style, <http://online.wsj.com/article/SB10001424053111903480904576512250915629460.html>.

¹¹⁰⁵ Private Equity research targeted for the VC community has already been speaking of a “postdigital era” and outlining the various new frontiers that capital should be looking to colonize and dominate. See Paul Condra, “Emerging Tech Research: The Postdigital Era” (PitchBook, December 22, 2022), https://files.pitchbook.com/website/files/pdf/Q4_2022_PitchBook_Analyst_Note_The_Postdigital_Era.pdf; Thatcher, O’Sullivan, and Mahmoudi, “Data Colonialism through Accumulation by Dispossession,” 991.

¹¹⁰⁶ Cohen, “The Biopolitical Public Domain: The Legal Construction of the Surveillance Economy,” 215.

In its quest to discover spatial dimensions that can offer “new methods for displacing overaccumulated capital, increasing consumption, or accumulating new, cheaper labour,” capital seeks to rupture the natural, social, and somatic limits of material life, to transform those limits into frontiers.¹¹⁰⁷ VC, as the speculative financier of innovation, is both the facilitator and principal decision-maker of this phenomenon.¹¹⁰⁸ VC laughs in the face of experts who have suggested there are “limits to growth” and that infinite growth is impossible on a finite planet.¹¹⁰⁹ Through speculative investment in HC mobilizing the cutting edge of innovative methods and materials, VC looks to the multidimensional greenfields lying beyond the limits to growth, to the endless wilderness(es) produced or found for capitalist accumulation.¹¹¹⁰

¹¹⁰⁷ Daniel Marcus Greene and Daniel Joseph, “The Digital Spatial Fix,” *tripleC: Communication, Capitalism & Critique. Open Access Journal for a Global Sustainable Information Society* 13, no. 2 (June 14, 2015): 223–47, <https://doi.org/10.31269/triplec.v13i2.659>.

¹¹⁰⁸ VC is essentially a requirement in certain economic frontiers. Biotech, for instance, is considered almost symbiotic with VC as a practice and institution. Without it, the biotech industry would likely not exist. William Bains, *Venture Capital and the European Biotechnology Industry* (Cheltenham, UK: Palgrave Macmillan, 2009), 8.

¹¹⁰⁹ The authors of *The Limits to Growth* note that even if technology were able to expand or eliminate certain limits with regard to, say, natural resource appropriation, then the negative spillovers of (in this case) pollution arising from the additional use of such fuels would introduce new limits to growth. It is impossible to say whether this remains true in the present, however, there is significant evidence that cutting edge digital technologies are having an intense negative impact on the environment due to increased energy utilization. While capital may be able to sweep aside its limits in the short term, gravity may (literally) bring it down to Earth eventually. The authors note the same phenomenon in relation to food production; increases in food production may lead to population growth thus negating the additional food resources. All of these arguments are generally captured by what is known as “Jevons Paradox”—an idea proposed by the nineteenth century economist William Stanley Jevons, which argues that when technological progress increases the efficiency of a process it will in turn increase its consumption thereby negating the increased efficiency. See Donella H. Meadows et al., *The Limits to Growth: A Report for the Club of Rome’s Project on the Predicament of Mankind*. (New York, NY: Universe Books, 1972), <https://www.clubofrome.org/publication/the-limits-to-growth/>.

¹¹¹⁰ The authors of *Ferraris for All*, argued in 2010 that any supposed planetary limits were moot. Human ingenuity and technological advance will break those limits and continue to do so as long as the imperatives of capital remain in place. Daniel Ben-Ami, *Ferraris For All: In Defence of Economic Progress* (Bristol, UK: Policy Press, 2010).

Running up against the limits of nature, society, and the individual—the raw material upon which capitalism depends—VC does not see looming crises, but future opportunity. For whereas limits pertain to *known* MS, VC is in the business of discovering or creating *unknown* MS. Peter Thiel spells this out when he writes:

“There are two kinds of secrets: secrets of nature and secrets about people. Natural secrets exist all around us; to find them, one must study some undiscovered aspect of the physical world. Secrets about people are different: they are things that people don’t know about themselves or things they hide because they don’t want others to know.”¹¹¹¹

The secrets about people that Thiel refers to are precisely those social values, attitudes, beliefs, and desires that Braudel misses.¹¹¹² By greenfielding those ideal aspects of the human, capital is able to reconfigure and expand the “gaze” through which material life is encountered.¹¹¹³

¹¹¹¹ Thiel and Masters, *Zero to One*, 103.

¹¹¹² As my argument develops, especially in Part III, the topic of desire shall become more prominent. For the time being it would seem enough to suggest that secrets about the self that one does not know, or knows and does not wish to share, while not limited to the topic of desire, are nonetheless closely associated with it. It is a core premise of psychoanalytic thought, for instance, that the truth of our desire lies within the unconscious and hidden from us. On the other hand, one of the key limitations of our capacity to come to terms with unconscious desire (which may never truly be known to us) is the shame in confronting our conscious desires—a confrontation that the psychoanalytical “talking cure” attempts to facilitate.

¹¹¹³ The “gaze” is a term given by Jacques Lacan to describe the distinction between vision and seeing. The latter is a product of desire (and values, beliefs, attitudes). If the field of desire can be manipulated, then what we “see” is also subject to manipulation. It is through the shifting proclivities of desire that material life—nature, society, the individual mind and body—may be seen, and then consumed in new ways. See Todd McGowan, *Capitalism and Desire: The Psychic Cost of Free Markets* (New York: Columbia University Press, 2016), 78–79.

It is against this backdrop that we must read Reid Hoffman's treatise, *The Startup of You*—an unironic guide for how present and future generations may be good “entrepreneurs of the self.” The human individual and social being is itself here treated as a greenfield. By progressively stripping away the various social supports previously available to this being, neoliberalism has produced a milieu of social necessity encapsulated by the TINA doctrine. Denied access to public goods, the individual—a social being no longer afforded the ontological privilege of a “society”—must utilize the private goods provided by capital to fulfill their destiny as a self-realized being. Ignoring the intentional and concerted political processes involved in realizing this situation over several decades, Hoffman presents this as an unavoidable reality that future generations must adapt to rather than challenge.¹¹¹⁴

Perhaps expectedly, Hoffman—the founder of professional networking site LinkedIn—implores his readers to promote themselves through social media, demonstrating how changing social values, attitudes, beliefs, and desires manifest as changing material practices, and in turn how these practices produce new untapped sources of value for capital.¹¹¹⁵ Data, the “new oil” of digital market space, isn't a

¹¹¹⁴ In addition to (presumably) unwittingly invoking Michel Foucault's notion of the ‘entrepreneur of the self,’ Hoffman also appears to be echoing Mark Fisher's claims about capitalist realism and “reflexive impotence,” the idea that amidst the seemingly inevitable thrust of capitalist development—regardless of our discomfort with its supposed realities—all avenues for social change appear futile and are thus not even to be considered. Rather, our best option appears to be that we “get with the program.” In the era of capitalist realism, we can either be trodden upon or make our best attempt to do the treading. This is, in essence, the legitimizing appeal of SVC. See Mark Fisher, *Capitalist Realism: Is There No Alternative?* (Hants, UK: O Books, 2009), 21–30.

¹¹¹⁵ It is, of course, true that these changing social values, beliefs, and attitudes can only be realized as a result of the changing material realities invoked by neoliberal policy reforms—the material denial of public benefits and of society as a social and material fact—and yet, it is also true that these policy reforms emerged only as a result of political ideas—what Wendy Brown refers to as a political

natural phenomenon but a contrived one; material life must be *made* into data so that it may be appropriated.¹¹¹⁶ Material possessions that we wouldn't previously have dreamed might be capitalized and commercialized, once we have all been rendered entrepreneurs of the self, are suddenly transformed into "idle assets" to be unlocked for the purposes of accumulation—"cars, homes, power drills, skills, and *time*." (emphasis added).¹¹¹⁷ Thus, a VC-backed phenomenon like Airbnb, which initially seemed absurd given that its business model was based on developing a marketplace (MS) in which homeowners let strangers stay in their houses, rapidly became one of the highest valued firms in the world.¹¹¹⁸ Framed as a way for homeowners to make a little extra cash—a helpful boost when you have to pay out of pocket for services previously provided by the state—Airbnb has produced an entire class of *petit rentier* capitalists. Instead of merely allowing for possessed assets to be (re)capitalized, it has encouraged the active accumulation of property for this very purpose. And who has benefited the most? While the majority of the public are excluded from this wealth creation phenomenon and the gap between them and the mere opportunity to own a home becomes ever more insurmountable, sitting above this new *petit rentier* class sits the equity-owning class

"rationality"—amongst a political elite. The oscillation between ideas and practices has no identifiable beginning or end. Wendy Brown, *Undoing the Demos* (Brooklyn, NY: Zone Books, 2015), 115–16.

¹¹¹⁶ "The capture and processing of social data unfolds through a process we call data relations, which ensures the "natural" conversion of daily life into a data stream." Couldry and Mejias, "Data Colonialism."

¹¹¹⁷ Rachel Botsman, *Who Can You Trust? How Technology Brought Us Together and Why It Might Drive Us Apart* (New York, NY: PublicAffairs, 2017), 6–7.

¹¹¹⁸ At the time of writing, Airbnb has a market capitalization of \$102 billion. See <http://companiesmarketcap.com/airbnb/marketcap/>

of investors and founders.¹¹¹⁹ If ever there was an example of SVC in all its overdetermined implications, this is it.

As if the colonization of our already possessed (capitalist) goods wasn't enough, VC-backed innovation also looks to the human body (and beyond) for potential sites of extraction.¹¹²⁰ Nir Eyal, for example, an innovation consultant who specializes in the manipulation of human habits and emotions through technology, writes of "owned triggers" (proprietary tools that produce habits triggering desired consumer behaviors) as "a piece of real-estate in the user's environment." One section of his book *Hooked: How to Build Habit-Forming Products* is unironically titled "Building the Mind Monopoly."¹¹²¹ Our attention space (span) is literally a dimension of MS (real-estate) that VC-backed firms working at the cutting edge of technological possibility are competing to dominate.

Eyal rejects the accusation that habit-forming products are addiction-forming. The latter, he argues, denote destructive tendencies, whereas the latter do not.¹¹²² However, amidst copious evidence of rising self-harm amongst teens and adolescents in the era of addictive digital media, along with explicit admissions by former employees of VC-backed tech companies that their business model was designed around the distribution of dopamine hits and micro "highs" designed to make it painful

¹¹¹⁹ It should be pointed out that in addition to harvesting cash from every individual transaction in the MS it has created between Airbnb hosts and guests (e.g., service fees), Airbnb is also harvesting data—the "new oil." Airbnb is thus, within one product, capturing value produced in multiple dimensions.

¹¹²⁰ Mezzadra and Neilson, "On the Multiple Frontiers of Extraction," 189.

¹¹²¹ Nir Eyal, *Hooked: How to Build Habit-Forming Products* (New York: Portfolio/Penguin, 2014), 24, 46.

¹¹²² Nir Eyal, "Should We Worry About the World Becoming More Addictive? Q&A with Nir Eyal," Nir and Far, August 23, 2016, <https://www.nirandfar.com/addictive-world/>.

to unplug from the “matrix,” Eyal’s distinction seems facile at best.¹¹²³ Whatever Eyal might insist, human addiction has become a strategic means to growth (G) and thus a means to value (E’).

However nefarious it may appear, manufacturing addiction is a rational strategy for VC-backed firms. The goal, recall, is to present an image of future monopolization and social necessity in the singularity of exit. Addictive products and services are products and services that users believe they cannot live without.¹¹²⁴ They thus offer the promise of not only quick and rapid customer acquisition, but also of dependency. Returning to Table 4.1, they allow for a demonstration of growth and future necessity based on a high volume of active users, high levels of stickiness, and a low churn rate. In an adequately sized market, these factors contribute to the image of future monopoly and social necessity.¹¹²⁵ It is through mechanisms such as this that value is not simply created or discovered, but *captured*.¹¹²⁶ Whereas monopolization would normally act as a counterweight to economic dynamism, foreclosing economic opportunities for

¹¹²³ For a comprehensive list of academic research on self-harm, suicide, and other pathologies amongst adolescents directly correlated to internet and social media usage see: <https://ledger.humanetech.com/>. Also see *The Social Dilemma*, Documentary (Netflix, 2020), <https://www.netflix.com/title/81254224>.

¹¹²⁴ Note that the term “user” is (1) not synonymous the term “customer,” and is (2) a term that prior to the digital age was almost exclusively used to denote drug addicts.

¹¹²⁵ Adequate market sizing is a prerequisite. Growth and stickiness follow from this. In the case of Elizabeth Holmes’ ill-fated firm Theranos, for example, it was not so much the product or firm that impressed investors as it was the sheer size of the market it was going after. If successful, Theranos had the potential to upend the entire pharmaceutical clinical trials market. See John Carreyrou, *Bad Blood: Secrets and Lies in a Silicon Valley Startup* (New York, NY: Knopf, 2018); Janeway makes a similar point, suggesting that investors and entrepreneurs spend too much time focusing on R&D and not enough on selecting a target market of adequate size that can be grown into and won (i.e., monopolized). See William H. Janeway, *Doing Capitalism in the Innovation Economy*, Second (Cambridge, UK: Cambridge University Press, 2018), 79.

¹¹²⁶ “Creating value is not enough—you also need to capture some of the value you create.” Thiel and Masters, *Zero to One*, 23.

investment and value creation, in the context of the multidimensional spatial fix, one MS after another may be captured and dominated before VC simply moves on to the next.

For Schumpeter, this practice, “if” it were true, negates any critique of monopoly under capitalism and legitimizes entrepreneurial monopolization: “They [businesses accused of monopoly] largely create what they exploit. Hence the usual conclusion about their influence on long-run output would be invalid even if they were genuine monopolies ...”¹¹²⁷ But when material life is altered to fit new MS, does this logic not fall apart? MS is not created *ex nihilo*, but feeds off pre-existing material life—nature, society, the individual mind and body. Tiziana Terranova illustrates this point with her critique of leftist accounts concerning the colonization and monopolization of culture. Arguing against the common refrain that capital predates upon pre-existing authentic subcultures, recasting them as raw material for the capitalist culture industry, Terranova says “[r]ather than capital ‘incorporating’ from the outside the authentic fruits of the collective imagination, it seems more reasonable to think of cultural flows as originating within a field that is always and already capitalism.”¹¹²⁸ Put differently, while capital may indeed feed upon pre-existing authentic subcultures, it also tends to *manufacture* inauthentic subcultures that can penetrate the material life of the individual and society. The new market spaces that

¹¹²⁷ Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition*, 101.

¹¹²⁸ Tiziana Terranova, “Free Labor: Producing Culture for the Digital Economy,” *Social Text* 18, no. 2 (2000): 38.

VC-backed firms create are thus not simply monopolizing entities of their own creation, but the very fabric of material life.

Terra Nullius and Material Life

“What the barbarians attack is the legitimacy of the public thing—inasmuch as it is in principle not appropriable by private initiatives ... Disruption amounts to nothing other than the ultra-liberal, so-called ‘libertarian’ programme, which claims to absorb the social and political into technological and economic by crushing them: when technology is computational, it makes it possible to *algorithmically dissolve the social* ...”¹¹²⁹

Bernard Stiegler, *The Age of Disruption*, p.41

The term *terra nullius* emerged through settler colonial attempts—especially in the US and Australia—to frame indigenous or native lands (i.e., terrestrial spaces) as unutilized and thus available for appropriation. A growing number of critical scholars have begun to make parallels between the digital era (and digital “space”) and the concept of *terra nullius*.¹¹³⁰ And yet, as is the case with articulations of a “digital spatial fix,” these parallels, while useful, remain too narrowly framed, in part due to their focus on the actions of entrepreneurial actors rather than the VC process that molds them.¹¹³¹ What

¹¹²⁹ Bernard Stiegler, *The Age of Disruption: Technology and Madness in Computational Capitalism* (Cambridge, UK: Polity Press, 2019), 41.

¹¹³⁰ Couldry and Mejias, “Data Colonialism”; Cohen, “The Biopolitical Public Domain: The Legal Construction of the Surveillance Economy.”

¹¹³¹ Even when narrowed to the digital domain, the social implications are significant. As Tiziana Terranova writes: “[I do] not seek to offer a judgment on the ‘effects’ of the Internet, but rather to map the way in which the Internet connects to the autonomist ‘social factory.’ I am concerned with how the “outernet”—the network of social, cultural, and economic relationships that crisscrosses and exceeds the

such scholars share, however, is a sensitivity to the contrivance through which material life is fictionalized as “the commons,” the “public domain,” or as a “natural resource, a resource that is just there.”¹¹³² Once this first step is achieved and material life is reconceptualized as an unowned resource and thus appropriable, a hegemonic shift occurs in which that which was not previously seen as part of the regime of private property must suddenly be *claimed* in response to counterclaims.¹¹³³ Once this move has become a *fait accompli*, we are already arguing on the terms of the capitalist colonizer. The argument is no longer about whether a particular component of material life *is* private property but about who has rightful possession to it.

Just as American Indians—a colonial (mis)designation in itself—were provoked and reconceptualized as “savages” on the US Western Frontier as a way of justifying their subjugation or destruction, so too must material life be provoked and reconceptualized to become valuable to capital. Data, the most obvious instance in this regard, is not harvested from material life as it finds it, but from material life shaped according to its (literal) designs.¹¹³⁴ Long before the digital era, innovation scholars

Internet—surrounds and connects the latter to larger flows of labor, culture, and power.” Terranova, “Free Labor,” 34.

¹¹³² Couldry and Mejias, “Data Colonialism,” 339; Cohen, “The Biopolitical Public Domain: The Legal Construction of the Surveillance Economy,” 217.

¹¹³³ In the context of digital data, we now constantly have to opt out of data tracking or to request that our data be deleted or made private. Alternatively, consider the metaverse example above. The claim that your physical property should have any connection to your physical property’s location in virtual space is already all but moot. To make any counterclaim for that property would need to be made on the terms already determined by metaverse capitalists who have decided it can be framed as private property in the first place.

¹¹³⁴ The modification of consumer behavior is literally a design feature, especially in digital domains. Many Silicon Valley elites were trained at the Stanford Persuasive Technology Lab (now renamed the Behavior Design Lab), which explicitly draws upon behavioral psychology to build behavioral modifications into technology. See Couldry and Mejias, “Data Colonialism,” 338; *The Social Dilemma*; Eyal, *Hooked: How to Built Habit-Forming Products*.

knew that the goal of any diffusion strategy is to target individuals (so that an innovation appears personalized, relevant, and directly useful) who represent a homogeneous group (so that the innovation may be generic, and relevant or useful only to the shared characteristics of that group).¹¹³⁵ But what if instead of targeting individuals within a homogeneous group, you could *make* a homogeneous group out of individuals? This is the basis of “nudging,” an economic term that has been particularly efficacious in the digital domain (thanks in large part to the innovation of smartphones which keeps users connected and thus available for nudging at nearly if not actually every moment of every day). By nudging consumers through behavioral cues (e.g., notifications, special offers, legislative action), producers are able to concomitantly create new social knowledge and productize user behaviors—to shape and productize material life by subtly and imperceptibly shifting the social values, beliefs, attitudes and desires guiding material practice.¹¹³⁶ Cohen, describes these processes as a “self-fulfilling prophecies,” noting that “preemptive nudges work to maintain and stabilize the available pool of consumer surplus so that it may be more predictably identified and easily extracted.”¹¹³⁷ For Cohen, it is precisely the surreptitious nature of these behavioral nudges that allows the data “exhaust” (what are essentially digital recordings of the desired behavior sold to advertisers as “evidence” of *predictable* behavior) to be treated as a unclaimed resource—“raw material”—free for private

¹¹³⁵ Everett M. Rogers, *Diffusion of Innovations*, Fifth (New York, NY: Free Press, 2003), 367.

¹¹³⁶ Couldry and Mejias, “Data Colonialism,” 344.

¹¹³⁷ Cohen, “The Biopolitical Public Domain: The Legal Construction of the Surveillance Economy,” 229.

appropriation and valorization.¹¹³⁸ The submission of material life to market forces and capital must be represented as benign, appropriate, and obvious.

The alchemical trick invoked here is the creation of use value through an alteration in the usefulness of things that already exist. Historically, capitalists have achieved this most conspicuously by repurposing physical space (i.e., land).¹¹³⁹ The “enclosure of the [especially English] commons,” which Marx writes about at length is perhaps the most vivid illustration of this principle, whereby land previously held in common was privatized or the rights of access afforded to commoners were removed as a means of increasing the value of the land. The effect was to produce new class divisions, and to essentially force many commoners to migrate out of the countryside and into growing urban industrial centers (e.g., cities) where they were forced to take up wage labor.¹¹⁴⁰ Enclosure was essentially a catalyst to the process by which commoners were denied direct access to the means of subsistence (e.g., food) and thus forced by social necessity to submit to the wage-labor relation (so as to purchase food) that had become a characteristic feature of capitalism.¹¹⁴¹

While the acts of enclosure facing contemporary society do not, in most instances, threaten human subsistence, they nevertheless adopt the same logic of social necessity underpinning earlier enclosure movements. They depend upon generalized social norms as a way of homogenizing individuals to produce collectives that may be

¹¹³⁸ Benjamin Cohen, “The IPE of Money Revisited,” *Review of International Political Economy* 24, no. 4 (July 4, 2017): 214, <https://doi.org/10.1080/09692290.2016.1259119>.

¹¹³⁹ Harvey, *The Limits to Capital*, 217.

¹¹⁴⁰ Marx, *Capital*, 886.

¹¹⁴¹ See Ellen Meiksins Wood, *The Origin of Capitalism* (New York, NY: Verso Books, 2017).

targeted for accumulation practices while targeting individuals within that collective *as* an individual. This has the double effect of commodifying consumers and undermining collective identities that might act in resistance to such processes.¹¹⁴² The accumulation of data in this regard must be understood as one symptom emerging from the broader enclosure of knowledge and human (bio)diversity in general. The goal is to accumulate and privatize “human knowing, feeling, and action” before we even know it is happening.¹¹⁴³ Just as the enclosure of the commons left the masses with no other option but to sell their undifferentiated labor-power, so too does the enclosure of human knowledge and biodiversity leave humans with few other options but to become a digital “user” or to engage in socially necessary consumption.¹¹⁴⁴ Suddenly, through small cumulative shifts in social behavior, we find ourselves in a world where previously private experiences—including but not limited to the most private of all, romantic intimacy—are mediated via data tracking apps, or are guided by socially necessary consumption, as is increasingly the case with, say, EVs (and all their component technologies).¹¹⁴⁵ The VC-backed “land grab” in MS thus lies on a

¹¹⁴² Stuart Hall makes this point in relation to the work achieved by racism in undermining the non-capitalist class. Through fractured representations of society, capital is able to deny attempts to form social representations (i.e. of the non-capitalist class as a whole) adequate to the task of challenging the class-based unity of capital. Stuart Hall, “Race, Articulation and Societies Structured in Dominance,” in *Sociological Theories: Race and Colonialism* (Poole, UK: Unesco, 1980), 341.

¹¹⁴³ Kate Crawford and Vladan Joler, “Anatomy of an AI System: The Amazon Echo As An Anatomical Map of Human Labor, Data and Planetary Resources” (AI Now Institute and Share Lab, 2018), <https://anatomyof.ai/>; Getting people hooked before they even know they're being baited is an explicit design strategy. See Eyal, *Hooked: How to Build Habit-Forming Products*, 40.

¹¹⁴⁴ Of course, the two may be coterminous. Frédéric Lordon, *Willing Slaves of Capital: Spinoza and Marx on Desire* (London, UK: Verso, 2014), 7.

¹¹⁴⁵ Thatcher, O’Sullivan, and Mahmoudi, “Data Colonialism through Accumulation by Dispossession,” 995.

continuum with capital's long precedent of making demands upon its multiple unclaimed outsides.¹¹⁴⁶ Renewal is the process by which capital extends itself into the wilderness, while reproduction is the process by which the wilderness is "civilized" and frontier limits are redrawn.

To understand how such accumulation has been legitimized, we must revisit the Kirznerian principle of "finders-keepers." On Kirzner's account, the grounds of legitimacy for taking possession of material life—nature, society, the individual mind or body—lie in the Lockean principle of mixing labor with nature; what is unowned may become owned when the "commons" (given by God, in Locke's account) is mixed with the self-possessioned labor of humans.¹¹⁴⁷ However, even if we accept the Lockean legitimization of private property, the question arises as to how the self-owned labor of one actor (i.e., an entrepreneur) can effect a transfer of ownership relating to another's self-owned being, their body or their socially informed values, beliefs, attitudes, and desires. Even Kirzner concedes that this presents a problem for entitlement theories based on the finders-keepers rule. It is only by already assuming that the claim is *profitable* that Kirzner is able to justify his principle. Thus, by sleight of hand, Kirzner has enacted the same hegemonic shift whereby counterclaims to the question of finders-keepers do not ground themselves in the basis of material life as possessing some *a priori* ethical immunity from privatization and capitalization but must rather engage in debate on the question of who owns the value and profitability of material life so

¹¹⁴⁶ Mezzadra and Neilson, "On the Multiple Frontiers of Extraction," 188.

¹¹⁴⁷ Kirzner, *Discovery, Capitalism, and Distributive Justice*, 96.

rendered. The reduction of material life, by this stage, has already been achieved. All that remains to be argued about is who rightfully owns this private resource.

Here we are confronted with an old idea: the alienation of material life from its producer.¹¹⁴⁸ The trick, facilitated by HC-driven novelty, is to establish a *de facto* standard of ownership that can later be transformed into *de jure* ownership claim. Geoffrey Moore gestures towards this principle when he says

“If you can get there first, ‘catch the curve’ and ride it up through the early majority segment, thereby establishing the *de facto* standard, you can get rich very quickly and ‘own’ a highly profitable market for a very long time to come.”¹¹⁴⁹

Moore’s description stops short of describing formal ownership, pointing instead to the concept of informal ownership and formal *control*. Brett Christophers, in his book *Rentier Capitalism*, defines this as part and parcel of the ability for a capital owner to extract rents, which as per my argument is one means by which time contracts into the singularity of exit: an image of future market dominance and rents brought into the event to produce an exorbitant value demand.¹¹⁵⁰ When the resource to be controlled is

¹¹⁴⁸ “[T]he object that labour produces, its product, stands opposed to it as *something alien*, as a *power independent* of the producer.” Karl Marx, “Economic and Philosophical Manuscripts,” in *Early Writings*, trans. Rodney Livingstone and Gregor Benton (London, UK: Penguin Classics, 1992), 324; As Thatcher et al. note, alienation and privatization are intrinsically related. Thatcher, O’Sullivan, and Mahmoudi, “Data Colonialism through Accumulation by Dispossession,” 996.

¹¹⁴⁹ Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*, 19.

¹¹⁵⁰ Christophers’ definition of rent: “*income derived from the ownership, possession or control of scarce assets under conditions of limited or no competition.*” Brett Christophers, *Rentier Capitalism: Who Owns the Economy, and Who Pays for It?* (London, UK: Verso, 2020), xxiv.

material life via the social values, beliefs, attitudes, and desires informing it, the question of *de jure* ownership becomes a question for intellectual property law, thus placing the advantage in the hands of the capitalist who would have reconfigured social behavior through nudges in the first place. The self-fulfilling prophecy strikes again, for intellectual property law provides the legal construct necessary for the transition from *de facto* to *de jure* ownership over finders-keepers property claims.¹¹⁵¹ Whether it be through the terms of use explicitly contracted through End User Licensing Agreements (EULAs) or through a subscription agreement enlisting the consumer to an ongoing relation of consumption, VC-based symbols of value project their prospect into future contracted, and thus legally owned, relations of accumulation.¹¹⁵²

Accumulating the Future

The goal, in short, is to accumulate consumption by covert dispossession, to achieve growth by actually or potentially dispossessing consumers (both businesses and individuals) of their own “protentions” (i.e., anticipations of the future) by both identifying or defining what consumers will want in the future and then building

¹¹⁵¹ Cohen, “The Biopolitical Public Domain: The Legal Construction of the Surveillance Economy,” 214.

¹¹⁵² Such terms of use almost invariably grant the producer excessively permissive rights to use information pertaining to the consumer for further accumulation practices. While corporate consumers may be more meticulous in their review of the “small print” in such agreements, when socially necessary labor time is at stake—the ability to extract surplus value labor to a degree either matching or exceeding one’s competitors—the power to impose contracts favorable to the producer of the socially necessary good exceeds that of the consumer, regardless of whether they are a corporate or individual consumer. See Thatcher, O’Sullivan, and Mahmoudi, “Data Colonialism through Accumulation by Dispossession,” 996; Mezzadra and Neilson, “On the Multiple Frontiers of Extraction,” 195.

monopolies to serve those wants.¹¹⁵³ By modifying protentions—social values, beliefs, attitudes, and desires pertaining to the *future*—a (v)entrepreneurial producer is able to project an image of not merely future consumption, but of *necessary* future consumption. Not merely of future wants, but of *necessary* future wants.¹¹⁵⁴ Protentions are as such at least part of the substance of MS.

As already noted, Bourdieu suggests that capital comes in three forms: economic, cultural, and social, the latter two of which are reducible or convertible into the first. That is, cultural and social capital may be monetized.¹¹⁵⁵ The trick of modifying protentions—which can be achieved by growth and the sheer hype that creates itself—dispossesses the consumer of the value of their social or cultural capital by transforming into capital for the producer rather than the consumer. Consider the phenomenon of social media “influencers,” social media celebrities with a significant following on various channels. In theory, these channels afford the influencer great social and cultural capital—social, by virtue of their “influence” and connectivity;

¹¹⁵³ “Systematically exploiting the network effect, this automatic nihilism sterilizes and destroys local culture and social life like a neutron bomb: what it dis-integrates, it exploits, not only local equipment, infrastructure and heritage, abstracted from the socio-political regions and enlisted into the business models of the Big Four, but also psychosocial energies—both of individuals and of groups—which, however, are thereby depleted. These individuals and groups are thus transformed into data-providers, de-formed and re-formed by ‘social’ networks operating according to new protocols of association. In this way, they find themselves disindividuated: their own data ... *retentions*, enables them to be dispossessed of their own *protentions*—that is, *their own desires, expectations, volitions, will* and so on.” Stiegler, *The Age of Disruption: Technology and Madness in Computational Capitalism*, 7.

¹¹⁵⁴ For Julie Cohen this move is biopolitical “because the productive activities that it frames as desirable are activities that involve the description, processing, and management of populations, with consequences that are productive, distributive, and epistemological.” In short, the modification of protentions amounts to the production of subjects suitable for the modes of production and consumption an (v)entrepreneurial actor posits and requires. Cohen, “The Biopolitical Public Domain: The Legal Construction of the Surveillance Economy,” 214.

¹¹⁵⁵ Pierre Bourdieu, “The Forms of Capital,” in *Handbook of Theory and Research for the Sociology of Education*, ed. John G. Richardson (Greenwood, 1986), 243.

cultural, by virtue of the very platform or channel to which their name is associated (accredited)—and yet the lion’s share of value returns to the social media channel itself rather than the influencer. Not only is the influencer’s growth also the producer’s growth, thus influencing the stock (and thus investor) value of the producer, but the influencer’s growth increases the value of potential advertising revenue for the producer thus increasing both the value of the stock (based on projected future revenues) and, potentially, actual revenue or profit.

VC allows (v)entrepreneurial actors to produce today for consumption that will take place tomorrow. They are in the business of giving capital to prospecting (v)entrepreneurs chasing non-existent markets (MS) to whom conventional sources of financial support (e.g., traditional bank loans) are unavailable.¹¹⁵⁶ Acting in the tradition of the Austrian School of Economics (e.g., von Mises, Hazlitt, Böhm-Bawerk, Schumpeter, Kirzner) entrepreneurship is in the business of looking across time, shifting its gaze from the value available for capture today to the potential value available for capture tomorrow. As derivatives trader and Austrian School acolyte Mark Spitznagel puts it, “the *Unternehmer* [literally: undertaker i.e., entrepreneur] raises his sights beyond the current slice of time in marketplace to look ahead to anticipate not only *what* goods consumers will want but *when* they will want them.”¹¹⁵⁷

¹¹⁵⁶ O’Mara, *The Code*, 68.

¹¹⁵⁷ Mark Spitznagel, *The Dao of Capital* (Hoboken, New Jersey: Wiley, 2013), 104–5; This “look to the future” perspective for value capture is also reflected in the basic thesis of *Blue Ocean Strategy*: “By looking across time—from the value a market delivers today to the value it might deliver tomorrow—managers can actively shape their future and lay claim to a new blue ocean.” Kim and Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, 77.

The master of this move, Steve Jobs—and it is no coincidence that he is held up as the archetype innovator to which all entrepreneurs should aspire—is frequently framed as a genius of protention, his superpower being the ability to build products that consumers did not realize they “needed” until they saw them.¹¹⁵⁸ As Tony Fadell of Nest (and formerly of Jobs’ firm Apple) puts it: “half the battle in innovating is solving a problem that no-one sees.”¹¹⁵⁹ The question, of course, is whether these problems really exist, or, if they do, whether they are the problems of a predominantly white, male, elite-educated, Northern Californian or of the several million or billion people identified as constituting the target market (i.e., as the scope and scale of MS).

This practice of producing today for consumption that will take tomorrow is encapsulated in a VC concept known as the “market thesis.” While not all VCs adopt this approach, many do, and their approach is often reflected in investment restrictions or definitions applied at the level of the fund. Market theses make sense only in the context of endless frontiers, and generally take the form of a wager: what market(s) do we think will be the major sites of production and consumption tomorrow? The VC firm then guides its investments towards that particular market, finding producers (i.e., (v)entrepreneurs) who can bring it into being and transform what is otherwise MS into MSh. John Doerr’s wager on ClimateTech (outlined in the introduction to Chapter 1) is one such example, Marc Andreessen and a16z’s wager on cryptocurrencies (outlined

¹¹⁵⁸ Constance E. Bagley and Craig E. Dauchy, *The Entrepreneur’s Guide to Law and Strategy*, Fifth Edition (Boston, MA: Cengage Learning, 2018), 498.

¹¹⁵⁹ Tamaseb, *Super Founders*, 125; Peter Thiel similarly suggests that all startup founders much ask the “secret” question: “have you identified a unique opportunities that others don’t see?” Ferriss, *Tools of Titans*, 236.

in the introduction to Chapter 2) is another. Sometimes these theses are more inchoate. Consider, for example, Union Square Ventures market thesis from 2012: “Large networks of engaged users differentiated through user experience, and defensible through network effects.”¹¹⁶⁰ What makes this market thesis remarkable is that in 2024 it is entirely unremarkable. Its speculative potential has been realized as a norm and as such no longer offers an arbitrage opportunity for VC investment but the basic minimum for any kind of online (Web 2.0) consumer product. The surplus value for this market thesis has been captured. Hence the present VC obsession with all things “web3” (including cryptocurrencies, the metaverse, smart contracts, and so forth), and investor theses already pointing to the “postdigital” economy.¹¹⁶¹

By operating according to a market thesis, or at least with a view to what will be deemed valuable future as opposed to the present, VC-backed startups are accumulating value before consumers contributing to that value even know it can be accumulated. Building products people didn’t want or need but framing it as something they didn’t “know” they wanted or needed, is the core strategy by which this process unfolds. Scott Kuper describes the basic investment of his VC firm (a16z) in precisely these terms:

“VCs would need to provide something more than simply capital ... In most cases, tech startups represent an amalgamation of engineers who identify some innovative way to solve an existing problem or create a new market by

¹¹⁶⁰ Alexander Jarvis, “VC Investment Thesis: Union Square Ventures,” *Www.Alexanderjarvis.Com* (blog), November 1, 2015, <https://www.alexanderjarvis.com/investment-thesis-union-square-ventures/>.

¹¹⁶¹ Condra, “Emerging Tech Research: The Postdigital Era.”

introducing a product or service that consumers didn't even know could exist ... fundamentally tech startups need to "fit" a market problem to a compelling market solution to have a shot at success"¹¹⁶²

Elsewhere he states that the question asked by nearly all early-stage VCs is whether the product being proposed will "solve a fundamental need in the market (*whether or not that need is known currently to customers*) such that customers will pay real money to purchase it" (emphasis added).¹¹⁶³

Not only does Kupor's articulation confuse needs with wants, but it also erroneously suggests that revenue is a primary concern for early-stage investors when this is patently not a requirement.¹¹⁶⁴ As we know, the VC process demands growth first and monetization later (or never). The true value proposition is the rendering of a want as a "fundamental need"—as a social necessity that consumers will have to have just to keep up with other social actors (be they corporate competitors, friends, or whomever).

VC firms such as a16z are working at the intersection of new market creation and capture (MS-MSh), they are in business of accumulating uncaptialized resources including future consumer desire, because desire is the means by which material life (and all its uncaptialized resources) may be freely given up to capital. VC is in the business of accumulating opportunities hidden in plain sight and does this by targeting

¹¹⁶² Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 20.

¹¹⁶³ Kupor, 48.

¹¹⁶⁴ Aside from treatment for medical conditions an individual may not be aware of, it seems hard if not impossible to envisage someone needing (i.e., having a necessity for) something that they are not aware they need. Consumer "needs" are almost always in reality nothing more than wants.

objects that others do not deem susceptible to the seductions of capital. Often, however, it does this by producing the very future want (presented as a need) that consumers adopt as their desire. In thinking about the present obsession with cryptocurrencies, for instance, we see an example of how VC-backed entities have manifested a cultural movement in a supposedly decentralized “antiestablishment” tool that no one actor can dominate. But in truth, cryptocurrency itself was never the value proposition—the *infrastructure* that consumers demand to support it was and always has been.¹¹⁶⁵ Coinbase—an a16z investment—is just one example. Once consumers have bought into the cryptocurrency ideal, and possess cryptocurrency tokens that are undulating in value, they *need* a reliable exchange to manage easy trading of those tokens. They also *need* cryptocurrency to go mainstream so as to boost the value of their own tokens held as a store of value and to provide (they hope) some stability. The infrastructure—a physical representation of the equity owned by investors and founders—is where this value, the value of social necessity, lies.¹¹⁶⁶ The future has been sequestered to an elite class (SVC) who are able to extract rents from socially necessary behaviors.

¹¹⁶⁵ Brian Armstrong, co-founder and CEO of Coinbase has been quoted as saying the opportunity to own the infrastructure that cryptocurrency consumers would *demand* was the precise motivation behind his decision to pursue the venture. See Tamaseb, *Super Founders*, 129–30.

¹¹⁶⁶ Yet again, this is an example of the Stratified Venture Class. Crypto-millionaires exist, no doubt, but the owners of this infrastructure are billionaires measured not in volatile digital tokens, but relatively stable state-issued (and backed) currencies.

IV: RULING FROM THE FRONTIER

Anti/Establishmentarianism Revisited

Because the above described operations work on the future, by the time the present arrives and the vast majority of us are able to take notice, the accumulation event has already largely occurred. The subsumption of our production, consumption, and even *prosumption*,¹¹⁶⁷ is a *fait accompli*. If VC has done its job and facilitated hypergrowth to occur, not only will the public producers, consumers, and prosumers be blindsided to the process by which new MS is dominated as MSh, but so will any potential competitors—the idea is to ensure that no-one sees it coming until it is a done thing.¹¹⁶⁸ Thus, by wiping out competition while at the same time hijacking our protentions, the object we consume will not only have become a general feature of our everyday activity, but a particular (i.e., proprietary) instantiation of that object—Amazon, instead of online retail; OpenAI, instead of generative AI; Uber, instead of a ride-hailing app; and so on. In identifying or creating trends that may be represented as MS and captured by VC-backed hypergrowth startups—who must, to ensure VC backing and to achieve a successful exit, provide strategies of “defensibility”—(v)entrepreneurs look for strategies by which the changes they introduce may become irreversible. If a disruptive innovation is disruptive enough, a new lifestyle may have been induced that producers, consumers and prosumers believe they cannot live without, predecessors will have been

¹¹⁶⁷ i.e., productive consumption. The type that occurs when we *consume* a digital tool only to *produce* data at the same time.

¹¹⁶⁸ Hoffman and Yeh, *Blitzscaling*, 74.

made obsolete, and the regulatory (legal, institutional) landscape will have changed to reflect a new reality.¹¹⁶⁹ To achieve, or at least profit from such things is an explicit strategic goal.¹¹⁷⁰ After disruption has been achieved, a entrepreneur can credibly claim that reverse such changes would harm society. Such was Uber's and Lyft's strategy in 2020 when they fought against California Assembly Bill 5 (AB5), which sought to reclassify "gig" workers to allow them the benefits associated with regular employees. Putting forward Proposition 22, which effectively exempted them from the bill, while throwing some \$200 million dollars at the problem to get it on the ballot (remember, Uber was still unprofitable at this time), Uber was able to see Proposition 22 pass. Lyft, fighting in tandem against AB5, used the argument that up to 90 percent of app-based driving apps (including DoorDash, Instacart, and so forth, all of which are VC-backed firms) would disappear if Proposition 22 did not pass.¹¹⁷¹ By manifesting the disruptive event, these firms effectively changed the terms of conversation and produced a new hegemonic reality. The march of VC-backed innovation is a path-dependent, class-based, monopolization of the historical process.

¹¹⁶⁹ Carlota Perez puts it as follows: "The action of these pioneering agents blazes the trail, giving rise to increasing externalities and conditionings—including production experience and the training of consumers—that make it easier and easier for others to follow suit. Their success becomes a powerful signal in the direction of the most profitable windows of opportunity. That is how the new paradigm eventually becomes the new generalized 'common sense', which gradually finds itself embedded in social practice, legislation and other components of the institutional framework, facilitating compatible innovations and hindering incompatible ones." Perez, *Technological Revolutions and Financial Capital*, 16.

¹¹⁷⁰ See, for example, Kim and Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, 78.

¹¹⁷¹ Rob Reich, Mehran Sahami, and Jeremy M. Weinstein, *System Error: Where Big Tech Went Wrong and What We Can Do About It* (New York, NY: Harper Collins, 2021), 46.

Where VC makes a difference is in facilitating the diffusion of a disruptive object (i.e., product, service, or idea) without the traditional drag of the profit requirement. It is a generalization long established in innovation diffusion studies that the “[t]rialability of an innovation, as perceived by members of a social system, is positively related to its rate of adoption,” meaning the more you give something to someone—the more you are able to put the something new in people’s figurative hands to “try”—the more likely others will also try the innovation, thus inducing the march of growth (G).¹¹⁷² Giving products for free (e.g., social media) or saturating a market to get people hooked on its convenience (e.g. ride hailing technologies), infectiously addictive qualities (e.g., streaming video services), or profitability (e.g. Software-as-a-Service),¹¹⁷³ is a strategy bestowing VC-backed firms an unparalleled advantage.

We thus return to the importance of growth (G) and hypergrowth as a strategy of VC-backed success. Capitalism is about monopoly,¹¹⁷⁴ and VC is about producing new MS in order to monopolize it—but how do small startup businesses, receiving sometimes relatively modest initial injections of capital, contribute to the emergence of supermassive monopolists of entire industries? The strategic advice that appears time and again in the practitioner literature is to begin by monopolizing a small segment of MS (thus taking a large share of a small market), and to then and only then expand into

¹¹⁷² Rogers, *Diffusion of Innovations*, 258.

¹¹⁷³ Software-as-a-Service (SaaS) offerings, such as Salesforce.com, deliver profitability to business consumers. Salesforce is in effect producing a new standard for socially necessary labor time, and thus facilitating an improvement in its business customer’s capacity to extract relative surplus value. Profit is in itself addictive for those who would pursue it.

¹¹⁷⁴ This we know from Fernand Braudel, Peter Thiel, and others.

adjacent MS.¹¹⁷⁵ This is sometimes referred to as the “land-and-expand” market strategy,¹¹⁷⁶ and explains why TAM, SAM and SOM (Table 4.1) are so important to VCs being pitched new startup ideas. Consequently, for all the debates about whether “first mover” or “first scalar” advantage is the appropriate process, it appears more appropriate to the truth to say “first monopolist” advantage is where VC places its bets.¹¹⁷⁷ It is not the first *mover* in a market that wins, but the first mover to achieve a (small) monopoly; it is not the first scalar in a market that wins, but the scalar who is scaling a pre-existing monopoly. This, as Reid Hoffman puts it, is how you “*take the market by surprise*” (emphasis added).¹¹⁷⁸ To underline the point, this has little to do with technology, and everything to do with VC-backing and a business model appropriate to it. Different business models with the same technology will lead to very different outcomes if one is oriented around capturing (i.e., monopolizing) a small market and then growing that solid foundation.¹¹⁷⁹ Reid Hoffman, in explaining this strategy, provides a kind of “taxonomy” of growth in *Blitzscaling* which I have reproduced in Table 4.3.

¹¹⁷⁵ See, for example, Peter Thiel quoted in Ferriss, *Tools of Titans*, 236; It is also the basis thesis expressed in Hoffman and Yeh, *Blitzscaling*; and in Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*.

¹¹⁷⁶ See, for example, Jim Breyer (Breyer Capital) quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 89.

¹¹⁷⁷ Hoffman and Yeh, *Blitzscaling*.

¹¹⁷⁸ Hoffman and Yeh, 32.

¹¹⁷⁹ Henry W. Chesbrough, *Open Innovation: The New Imperative for Creating and Profiting from Technology* (Boston, Massachusetts: Harvard Business School Press, 2003), xxx.

Classic start-up Growth	• Prioritizes efficiency under conditions of uncertainty • Controlled, efficient growth (to reduce uncertainty) • Used while trying to establish product-market fit
Classic scale-up Growth	• Used to grow efficiently once certainty (e.g., dominance) has been gained about an environment (e.g., MS) • Uses “hurdle rates” to ensure returns exceed cost of capital
Fastscaling	• Deprioritizes efficiency to pursue growth under conditions of certainty • A “good strategy for gaining market share [MSh]”
Blitzscaling	• Deprioritizes efficiency to pursue growth under conditions of uncertainty (i.e., pre-monopoly) • “Do or die”

Table 4.3 – Hoffman’s Taxonomy of Growth¹¹⁸⁰

The “canonical” way to grow, says Hoffman, runs as follows: use classic startup growth until you achieve product-market fit; use blitzscaling to achieve market dominance; switch to fastscaling as the business matures (as you become an anti/establishment player); then finally move to classic scale-up to continue stable growth in the beyond.¹¹⁸¹

So, the first two stages are about identifying MS, using HC to iterate a solution that seems to “fit” the problem so generated, then using VC-backed resources to help saturate that MS to transform it into MSh. Then, once on solid ground (what Hoffman

¹¹⁸⁰ Reid Hoffman, “Reiding into the Masters of Scale” (TechCrunch Disrupt, San Francisco, CA, 2021), 28.

¹¹⁸¹ Hoffman and Yeh, *Blitzscaling*, 29–30.

calls environmental “certainty” and we can call monopoly), you gradually expand that MSh into adjacent MS.

Network effects—a cybernetic strategy of positive feedback between producers, consumers, prosumers, and customers (e.g. advertisers)—are, in the twenty-first century, the favored strategy for how this is achieved, but not the only strategy. Legislation and regulation are also crucial factors. When VC looks at the EV market, for instance, it sees a global car industry waiting to be disrupted that is so massive that EVs only account for 4 percent of the MSh. For VC investors, there is 96% of the market still available if they can find the right niche (market segment within the EV market) to grow into.¹¹⁸² Legislative changes that would outlaw gas-powered vehicles are a catalyst to adoption.¹¹⁸³ In any case, once a new MS gets hyped, it does not merely bring demand from other more primitive markets into the new MS, but by virtue of that hype creates *new* demand. Uber, to give an example, did not simply replace taxis, but has increased the demand for private transportation—some estimate the increase in demand could be tenfold.¹¹⁸⁴

In line with the anti-establishment argument presented in Chapter 2, the land-and-expand strategy appears to support monopolization in one of two ways: either by

¹¹⁸² John Doerr, *Speed & Scale: A Global Action Plan for Solving Our Climate Crisis Now* (Great Britain: Penguin Business, 2021), 239.

¹¹⁸³ Kwasi Gyamfi Asiedu, “California Gas Prices 2022: LA Mulls Gas Station Ban - Protocol,” *Protocol*, June 24, 2022, <https://www.protocol.com/bulletins/los-angeles-gas-stations-ban>; Nadia Lopez, “Electric Day: California Phases out Sales of Gas Cars,” *CalMatters*, August 25, 2022, <https://calmatters.org/environment/2022/08/electric-cars-california-to-phase-out-gas-cars/>; Lisa Martine Jenkins, “New York to Ban Sales of New Gas-Powered Cars in 2035,” *Protocol*, September 29, 2022, <https://www.protocol.com/bulletins/new-york-ev-sales-2035>.

¹¹⁸⁴ Bill Gurley is cited as making this claim in Lucie Greene, *Silicon States: The Power and Politics of Big Tech and What It Means for Our Future* (Berkeley, CA: Counterpoint, 2018), 140.

monopolizing small segments of MS (i.e., MS-MSh) and then expanding that monopoly into adjacent MS (growing a monopoly to disrupt the establishment), or by monopolizing small segments of MS and then joining (getting acquired by) a larger establishment firm (thereby assisting their own monopolist goals). This is illustrated in Figure 4.2.

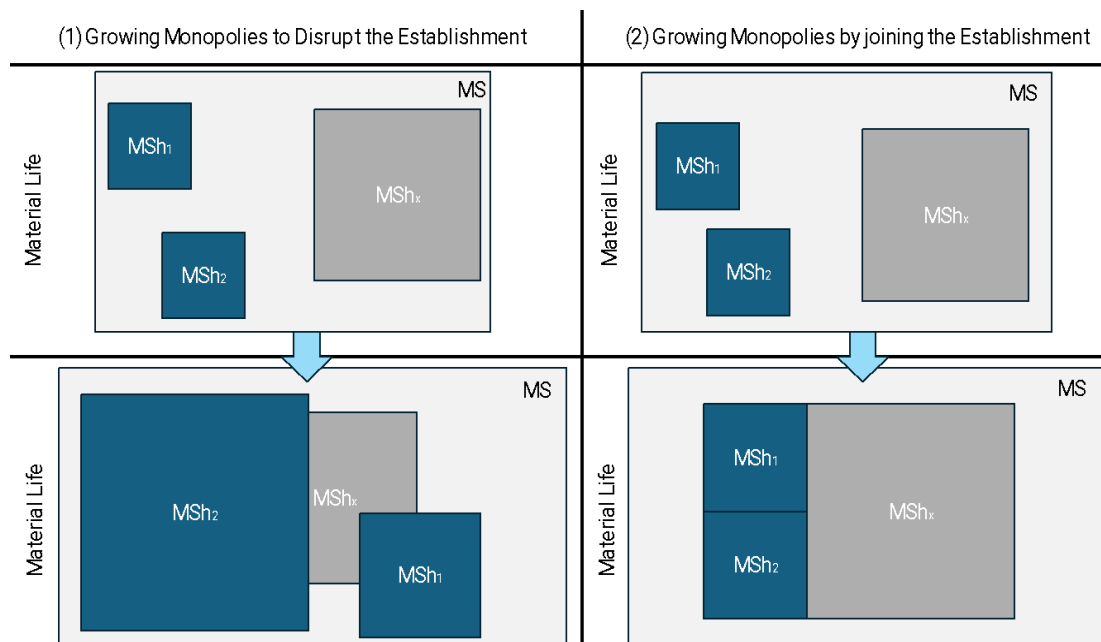


Figure 4.2 – Growing Monopolies (Source: Author)

As can be seen, in the first scenario small monopolies operating in pre-existing MS eclipse any established players (large or small) while expanding MS. In the second scenario, small monopolies join with the establishment actors to create a bigger entity that also expands MS. The first is representative of exit by IPO, the second by

acquisition. In both cases the result is the expansion of MS—which, I have argued, implies the expansion of material life subsumed to the market exchange and then subsequently to capitalist accumulation—and the centralization of capital into immense monopolies that eliminate alternatives from view.

One way to establish a small monopoly is to accumulate intellectual capital, either in the form of HC or in the form of intellectual property (IP).¹¹⁸⁵ Patents—legal monopolies—are especially effective in this regard, with Pitchbook data suggesting deal sizes for startups with patents are 40-60 percent higher than for the non-patent counterparts. Even patent-*seeking* startups raise significantly more capital.¹¹⁸⁶ And the reason is simple: a patent is a legal monopoly that is not regulated as a monopoly by the law.¹¹⁸⁷ It is a legal means to monopoly rents and as such promotes a high exit valuation. It is not hard to see why VC gravitates towards patent-seeking (or possessing) firms. Whether the goal of the firm is to expand a monopoly based on intellectual capital, or to be acquired by an establishment firm that desires that intellectual capital, the effect is the same: to expand the domination of social logics pertaining to MS.

¹¹⁸⁵ A firm such as OpenAI is essentially nothing without its HC. Even if it were to make all of its technology available to the public as open-source code (as is supposed to be the aim), the skill required to use and develop this code is too advanced for the vast majority of users. The relevance of HC to the firm was demonstrated when employees signed a letter threatening to resign and join Microsoft if sacked CEO Sam Altman was not reinstated. This was an existential threat to the firm. For Microsoft it would have been the same as a free acquisition. See Will Knight and Steven Levy, “OpenAI Staff Threaten to Quit Unless Board Resigns,” *Wired*, November 20, 2023, <https://www.wired.com/story/openai-staff-walk-protest-sam-altman/>.

¹¹⁸⁶ Andy White and James Ulan, “Quantitative Research: Introducing PitchBook Patent Research” (PitchBook, February 6, 2023), https://files.pitchbook.com/website/files/pdf/Q1_2023_PitchBook_Analyst_Note_Introducing_PitchBook_Patent_Research.pdf#page=1.

¹¹⁸⁷ Christophers, *Rentier Capitalism*, 160.

Frontier Strategies (for pseudo-libertarians)

The strategy by which antiestablishment firms seek out MS in order to build monopolies that can then reorient the establishment holds a striking parallel to the aims of libertarians seeking to “exit” the establishment. As Raymond Craib documents in his study of libertarian exit, *Adventure Capitalism*, the goal of many a libertarian exit movement is *not* to engage in a permanent exit from the establishment (e.g., the metropole state) but to develop a critical mass elsewhere that can effect change in the establishment. Seen in this light, it is no accident that VC-backed firms like WorldCoin, a biometric identity-based cryptocurrency promising universal basic income for all humans that explicitly aims to disrupt US dollar hegemony, is not even attempting to roll-out in the US and is instead attempting to build critical mass in other countries such as Kenya, Indonesia, Chile, Norway, Sudan, India, and so on.¹¹⁸⁸ The aim is to build a movement in more amenable jurisdictions, and then to return to the metropole (i.e. the US) as a legitimate and powerful negotiator backed by an army of zealous users and consumers.

Of course, if the goal is to monopolize this other space, to *dominate* it and eliminate competition, then it is opposed to the concept of freedom and operates in the space of autocratic and dictatorial necessity. To call this a “libertarian” strategy, then (freedom supposedly being the essence of libertarian thought) would be a misnomer.

¹¹⁸⁸ See <https://worldcoin.org/> for the latest sign-up information.

Hence, it may be easier to describe this as pseudo-libertarianism, even if that is perhaps being generous. It is libertarian only in its opposition to prevailing established relations of power—but, like any good anti/establishment actor—it seeks not to destroy power, but to assume its reins.

Nevertheless, the first step in this pseudo-libertarian frontier strategy is to find market space, to be a blue ocean “pioneer.”¹¹⁸⁹ Sometimes this is part of a multidimensional spatial fix, and sometimes this is literal, geographical space, for instance when regions compete on the basis of creating legal and regulatory regimes amenable to disruptive innovation practices. Arizona, Florida, and Ohio, for example, deregulated electric and autonomous vehicles to attract outside commerce and investment;¹¹⁹⁰ many next generation medical devices are developed in Europe because regulatory approval is easier to achieve there;¹¹⁹¹ and Dubai has set itself up as a “pre-legal space,” which uses an authoritarian legal regime to decree policy and regulation changes that will attract foreign startups and investment. Noah Faford, a futurist, says “Dubai’s major advantage is that it’s used to operating at the speed of entrepreneurs. Dubai is an entrepreneurial project in itself.”¹¹⁹²

The second step is to dominate and reconfigure the MS that has been created or discovered, to be a blue ocean “settler.” Dubai uses authoritarianism to permit

¹¹⁸⁹ I am riffing here on the pioneer-settler-migrator (PMS) map put forth by the authors of *Blue Ocean Strategy*. Kim and Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, 98–101.

¹¹⁹⁰ Adam Thierer, *Evasive Entrepreneurs & The Future Of Governance* (USA: Cato Institute, 2020), 16, 70.

¹¹⁹¹ Burfield, *Regulatory Hacking: A Playbook for Startups*, 99.

¹¹⁹² Burfield, 102–4.

untrammelled innovation and capital accumulation—in this sense it operates like a “platform” in literal space. Consider in this light the following claim from Peter Thiel’s course at Stanford University, *Notes on Startups* (the basis for his book *Zero to One*): “A startup is basically structured as a monarchy. We don’t call it that, of course. That would seem weirdly outdated, and anything that’s not democracy makes people uncomfortable.” In any case, the libertarian “escape to freedom” away from domineering state regulators is problematic at best. The motivation behind sea, cyber, and outer space are all the same—find a region that isn’t yet regulated so that you can dominate it as you like. Again, it is no accident that the authors of *Play Bigger* describe the goal of anyone seeking a billion-dollar startup to become a category *king*.¹¹⁹³ Freedom, as just noted, turns into domination, authoritarianism, monarchy, monopoly. Early Silicon Valley hackers saw in software a new frontier of libertarian-like freedom until Bill Gates wrote his infamous letter “An Open Letter to Hobbyists” to these hackers proclaiming the injustice of common goods: Paying for hardware but not software inhibits software innovation, was his (familiar) argument: “Who can afford to do professional work for nothing?” he wrote, “The thing you do is theft.”¹¹⁹⁴ Free space thus becomes dominated space. Just as the New Communalists—Silicon Valley’s countercultural predecessors—imagined themselves to be colonizing new social frontiers and went on to reproduce conservative (gender, race, and class) hierarchies,

¹¹⁹³ Al Ramadan et al., *Play Bigger: How Pirates, Dreamers, and Innovators Create and Dominate Markets* (New York, NY: Harper Business, 2016), 17.

¹¹⁹⁴ O’Mara, *The Code*, 153.

so too does SVC do the same.¹¹⁹⁵ MS, whether physical or conceptual, is a space in which social action takes place, and VC-backed entrepreneurs pursue authoritarian dominance under the banner of freedom and free markets.

Once settled, the monopolist pseudo-libertarian must finally seek to reorient the metropole, to become a blue ocean migrator (to migrate back and forth to the source). As we saw in the introduction, “Travis’ Law” made an entire business out of the strategy of entering into new MS as an antiestablishment force, exploiting the novelty of the space within which it operated, and building critical mass to then pressure the establishment. Eaze, a delivery marijuana firm did this same thing in San Jose, Airbnb in San Francisco, and Palantir did it to land its US Army contracts.¹¹⁹⁶ If done correctly, disruption will lead to establishment (e.g., institutional and regulatory, or corporate policy and strategy) change.¹¹⁹⁷ VC-backed cryptocurrencies are already forcing regulators to act to protect both consumers and the regime of fiat currency.¹¹⁹⁸ This is the basis of jurisdictional arbitrage (e.g. Dubai), to create competition between jurisdictions such that the original truly desired jurisdiction is altered.¹¹⁹⁹ It is the same principle with MS—creating a disruptive technology to attract enthusiasts until critical mass forces mainstream providers to compete in a new MS they are unable to even

¹¹⁹⁵ Fred Turner, *From Counterculture to Cyberculture* (Chicago, USA: University of Chicago Press, 2008), 76.

¹¹⁹⁶ Tusk, *The Fixer: My Adventures Saving Startups from Death by Politics*, 178; Burfield, *Regulatory Hacking: A Playbook for Startups*, 242–45; Max Chafkin, *The Contrarian* (USA: Penguin Press, 2021), 147.

¹¹⁹⁷ Perez, *Technological Revolutions and Financial Capital*, 174.

¹¹⁹⁸ Eswar S. Prasad, *The Future of Money* (Cambridge, MA: The Belknap Press of Harvard University Press, 2021), 174.

¹¹⁹⁹ Craib, *Adventure Capitalism*, 219.

comprehend. There is even a name for this: “regulatory entrepreneurs”—“innovators in the business of trying to change or shape law and strategically operating in a zone of questionable legality or breaking the law until they can change it.”¹²⁰⁰

It is no accident that many of the VC luminaries writing books about how to build successful startup businesses flirt with libertarian ideologies (while rarely seriously adhering to the tenets of serious libertarianism as a philosophy). It is also no coincidence that for all the talk of “freedom” in the market, within these organizations absolute monarchy is the rule. Peter Thiel is many things, but one thing he is not is shy of expressing controversial opinions—of telling it how it is. As one well-known serial entrepreneur put it to me:

“Peter Thiel disclosed a lot of stuff which is built into the fabric of Silicon Valley thinking and I was literally shocked that he was doing that because they don't normally talk about it, they just do it. That's the mindset of people in Silicon Valley.”¹²⁰¹

Perhaps the ultimate representation of this process is the platform—the holy grail of VC-backed innovation. The reason platforms are held in such high regard is easy to see: the platform is an *absolute* fit between product and market. The defining feature of a platform is that the product *is* the market (or *marketplace*). Platform capitalism itself is not a digital or even recent phenomenon. As Brett Christophers notes, the

¹²⁰⁰ Thierer, *Evasive Entrepreneurs & The Future Of Governance*, 54–55.

¹²⁰¹ Interview, Vivek Wadhwa. April 13th, 2022.

London Stock Exchange (LSE), with precursors tracing back to 1571,¹²⁰² is an early example of a platform: it is a product that is a marketplace.¹²⁰³ The product is the facilitated opportunity to produce and consume goods within a mediated environment. In the case of the LSE, it was the opportunity to buy and sell stocks. Today, although still a physical space, the LSE has, like most other things, become highly digitized in the twenty-first century. The LSE, like any other platform, and as is the goal of any VC investment, is essentially a perfect monopoly over a particular marketplace. It is a strange contradiction: free markets operating within absolute monopoly.¹²⁰⁴ The platform perfectly captures the metaphor of market “space,” even as it renders moot the concept of market “share.” It is an enclosure that, through the exploitation of network effects, erects absolute barriers to entry based on rents.¹²⁰⁵ It is in this context, however, that the platform’s appeal to VC is made plain. The platform is perfection: absolute monopoly, absolute product-market fit. It is the perfect specimen of capitalism and what Braudel refers to as the “anti-market.”¹²⁰⁶ Amazon (especially Amazon Web Service), Airbnb, Uber, Apple (especially the App Store), Google (especially Google Maps), Facebook (now Meta), and so on. All mega-corporations; all highly active

¹²⁰² The Royal Exchange which preceded the LSE was not actually open to traders. Only much later, in the early nineteenth century, did the LSE become a regulated exchange and take “stock exchange” as its formal title.

¹²⁰³ Christophers, *Rentier Capitalism*, 179–83.

¹²⁰⁴ Arguably, of course, the same could be said about any “free” market that exists within sovereign borders, the sovereign entity—be it a monarch, parliament, or congress—having (in theory at least) a monopoly on political power.

¹²⁰⁵ Jamie Peck and Rachel Phillips, “The Platform Conjuncture,” *Sociologica* 14, no. 3 (2020): 79, <https://doi.org/10.6092/issn.1971-8853/11613>; Nick Srnicek, *Platform Capitalism* (Cambridge, UK: Polity Press, 2017), 98.

¹²⁰⁶ Braudel, *The Wheels of Commerce*, II:230.

acquirers of smaller VC-backed firms. All ideally suited to the VC process, strategy, and mindset.

The dual form of the LSE as a physical and digitized platform finds an analog in more recent moves to invest in and create so-called “charter” or “startup” cities. Charter cities are, in effect, geographical and economic marketplaces for governance, wherein this marketplace is the product. In this instance geographical and economic MS, absolute and relative space, come together. Pronomos Capital, led by Milton Friedman’s grandson Patri Friedman and a team of pseudo-libertarian advisors including Balaji Srinivasan,¹²⁰⁷ are looking for opportunities in physical, sovereign space, to carve out new MS that is *also* physical space where they can create a space for other producers or consumers to congregate. Charter cities are platforms for investment; they are MS for MS.¹²⁰⁸ They are the virtualization of geographical space. And while the work of Pronomos (amongst others) remains relatively speculative and unproven, it is a notable truth that many speculative and unproven VC-backed “innovations” have become a reality—personal computers, social media, ride-hailing apps, the home-sharing economy. Not only this, but charter cities, as literal platforms for governance and regulation, are simply the platform model taken to an extreme—it

¹²⁰⁷ Srinivasan, as noted before, is the VC who famously used Albert Hirschman to argue for Silicon Valley’s secession from the United States in a speech given at Y Combinator’s Startup School.

¹²⁰⁸ Charter cities are also wholly consistent with the pseudo-libertarian ideologies of “exiteers.” As Raymond Craib notes, many a libertarian exit project was framed in terms of producing political systems that would compete for citizens—how else might we frame the charter city concept? See Craib, *Adventure Capitalism*, 212.

is in essence a proven model. That Pronomos suggests its ultimate long-term goal is to disrupt the concept of sovereignty should not be taken lightly.¹²⁰⁹

Platforms are spaces within spaces, and at a certain extreme are subject to the laws, rules, and regulations of their parent space—Amazon is free to treat merchants on its retail site how it likes only to the extent permitted by the national laws of any jurisdiction in which it operates; a charter city like Próspera in Honduras, although relatively autonomous and exempted from many of the constraints that apply to Hondurans remains ultimately contained within the sovereign territory and authority of the Honduras government. They are *de facto* self-regulators.¹²¹⁰ And yet, for producers or consumers who wish to participate in these platforms, there is a stark choice: adopt our policies or be denied the opportunity. It is, as such, a contemporary instigation of *lex mercatoria*, an informal medieval code of practice that imposed sanctions upon transgressors of the “law” not through punishment *per se*, but through the power of exclusion. Play by our rules or die an economic death. This is much the same process by which the VC process determines the practices of embedded entrepreneurs (see Chapter 1). The platform is a space of absolute authority. For those who do “opt-in” to such MS, behavioral nudges are not even always necessary (unless the user must be

¹²⁰⁹ In the “Questions and Answers” section of the Pronomos Capital website, the question “Will these zones be sovereign city-states?” is performatively posed. Their response: “we must walk before we can run. There are decades of work ahead for us and our founders to demonstrate this new development paradigm and build international credibility. Someday, when these models have been proved and refined, it will seem as normal to start a new city as it is to start a company today ... In that distant future, it might make sense for an experienced group of founders and a nation with deep respect for local autonomy to discuss creating a new country. If so, it is our hope that Pronomos Capital will be there to invest in the first venture-funded startup city-state.” See <https://www.pronomos.vc/knowledge>.

¹²¹⁰ Peck and Phillips, “The Platform Conjuncture,” 78.

homogenized into a package for third parties e.g., advertisers) because behaviors may be defined and dictated—“the platform ... produces the social for capital ...”¹²¹¹ Just as geographical land rent has a natural monopoly price¹²¹² deriving from its existence as absolute space, so too does the platform—only now, it is relative space that has been made absolute. The multidimensional spatial fix operates both ways.

Even the world’s largest firms are sometimes dependent upon the platforms of other, larger capitalist entities. Netflix, for example, perhaps the world’s premier streaming entertainment service, is fully reliant on Amazon Web Services (AWS) for its infrastructure and confesses readily in its annual shareholder reports that it could not easily change to another cloud provider.¹²¹³ Similarly, Uber, possessing all but a monopoly grip on ride-hailing services globally, is fully dependent upon Google maps for the service provided by its app.¹²¹⁴

In some ways this is the value proposition. Disruption is a means to platformization and the subsumption of other capitalists, the result being a consolidation and centralization of capital. SpaceX is often taken to be a disrupter in

¹²¹¹ Couldry and Mejias, “Data Colonialism,” 338.

¹²¹² Marx, “Economic and Philosophical Manuscripts,” 310.

¹²¹³ “We rely upon Amazon Web Services to operate certain aspects of our service and any disruption of or interference with our use of the Amazon WebServices operation would impact our operations and our business would be adversely impacted.” Netflix 10-K Annual Shareholder Report 2019. https://s22.q4cdn.com/959853165/files/doc_financials/2019/ar/2019-10-K.pdf

¹²¹⁴ “We rely upon certain third parties to provide software for our products and offerings, including Google Maps for the mapping function that is critical to the functionality of our platform. We do not believe that an alternative mapping solution exists that can provide the global functionality that we require to offer our platform in all of the markets in which we operate.” Uber S-1 IPO filing document. https://www.sec.gov/Archives/edgar/data/1543151/000119312519103850/d647752ds1.htm#toc647752_9 See also Cecilia Rikap, “Big Tech: Not Only Market But Also Knowledge and Information Gatekeepers,” Institute for New Economic Thinking, accessed December 19, 2023, <https://www.ineteconomics.org/perspectives/blog/big-tech-not-only-market-but-also-knowledge-and-information-gatekeepers>.

market for outer space, for instance, unsettling the state establishment (e.g., NASA) over innovation related to space exploration and the utilities that arise from being in outer space.¹²¹⁵ It has, however, in very short time become not only *the* establishment actor for space-related industries, but has built what is effectively a “platform” for access to outer space. In the first half of 2023, for instance, SpaceX powered 88 percent of all launches for its customers in the US, and regularly launches satellites for its competitors. In the words of Pitchbook analysts, it has become “the de facto choice for many satellite operators.” This in itself speaks to centralization in what is destined to be an unbounded market of unprecedented value accumulation, but even beneath the single point of access that is SpaceX there is an ongoing and intensifying process of R&D by M&A amongst the same satellite operators using SpaceX, a “trend [that] may lead to a more consolidated market and a more mature industry, with a few major players dominating multiple facets of the industry.”¹²¹⁶ What effectively emerges amidst this “platformization of outer space” is a pyramid structure of consolidated market power that is propelled by VC from the top to bottom.¹²¹⁷

¹²¹⁵ Myriad applications for outer space are being developed without general public awareness. In-space manufacturing, exploiting zero-gravity environments which can more ably handle delicate materials (such as artificially grown human tissue and organs) is one market, whereas meteor mining for rare materials is another. Any one of these or other applications has the potential to become a future social necessity for life on earth.

¹²¹⁶ Ali Javaheri, “Vertical Snapshot: Space Tech Update,” Emerging Tech Research (PitchBook, August 28, 2023), https://files.pitchbook.com/website/files/pdf/2023_Vertical_Snapshot_Space_Tech_Update_14394.pdf.

¹²¹⁷ Not only is SpaceX a private, VC-backed company, but the heat of the M&A market amongst satellite operators is primarily driven by VC-backed firms and deals. See previous footnote.

In some markets, the sheer scale of consolidation exhibited by anti/establishment firms has produced a new reality that itself accelerates the pace of subsumption. Data, of course, has become like oil before it, with companies like Google acquiring smaller companies not for their product, but for the data these products have consolidated (e.g. Waze). But the next big “scale differentiator” may be compute power itself. The massive resources used for generative AI processing, for example, have seen numerous deals in which compute power is exchanged for equity and has thus become a form of (venture) capital.¹²¹⁸ With startups increasingly turning to big tech firms for compute power, and big tech firms increasingly spinning out CVC subsidiaries, there is a possible future in which big tech becomes the (C)VC entity consolidating its own power. In this light, even the established VC industry is not safe from being subsumed into the disrupters’ world.

Regulatory Arbitrage and Unfair Advantages

One of the benefits of pursuing new MS is the absence or suspension of rules or regulations pertaining to novelty. However, in other cases it is precisely the existence

¹²¹⁸ Several alliances between generative AI startups and big tech firms have already taken place: OpenAI and Microsoft, Anthropic and Google and Amazon, Stability AI and Amazon. More are undoubtedly to come. In some cases VCs use the compute power available from one portfolio startup to power the technology of another. Increasingly, however, big tech looks set to dominate the landscape. This is unsurprising given the three main companies making alliances with major generative AI players—Microsoft, Amazon, Google—are also the three largest cloud infrastructure service providers in the world, collectively dominating around 65 percent of the global market. Kia Kokalitcheva, “Axios Pro Rata: Funding the AI Boom,” *Axios*, March 25, 2023, <https://www.axios.com/newsletters/axios-pro-rata/>; Rikap, “Big Tech.” Also, James Currier “Which Founders are VC-Backable?” *TechCrunch Disrupt*, San Francisco, September 20, 2023.

of rules that offers an opportunity to exploit or create MS. In either case, by exploiting (market) spaces in which rules and regulations are yet to be established, or by hacking, avoiding, and evading existing rules, the notion of MS provides unfair advantages to willing innovators—what some have referred to as “regulatory hackers” and others “evasive entrepreneurs.”¹²¹⁹

When pursuing MS where rules as yet to be established, the general strategy is to prioritize the growth of operations such that producers, consumers, or prosumers demand these operations continue into the future. This is the basis of Travis’ Law outlined at the beginning of this chapter, and the entire value proposition of VC firms such as Tusk Ventures. It is the strategic playbook used for cryptocurrencies,¹²²⁰ genetic testing (e.g. 23andme),¹²²¹ marijuana services,¹²²² autonomous vehicles,¹²²³ gig-economy apps (e.g. Airbnb, HopSkipDrive),¹²²⁴ online gambling,¹²²⁵ online insurance, and many other novel market spaces seeking to exploit regulatory gray (or black) zones. Aside from having a militant user base who might lobby on behalf of the

¹²¹⁹ See, for example, Burfield, *Regulatory Hacking: A Playbook for Startups*; Thierer, *Evasive Entrepreneurs & The Future Of Governance*.

¹²²⁰ Prasad, *The Future of Money*, 176.

¹²²¹ Burfield, *Regulatory Hacking: A Playbook for Startups*, 153–54.

¹²²² Primack, “Axios Pro Rata.”

¹²²³ Tesla, the world’s leading electric vehicle manufacturer, exploited its existing consumer base to push out autonomous vehicle capability updates without seeking regulatory approval. As a feature of an existing product—perhaps even what might be described as a platform—Tesla was able to act unilaterally. Thierer, *Evasive Entrepreneurs & The Future Of Governance*, 95.

¹²²⁴ Christian Smigiel, “Why Did It Not Work? Reflections on Regulating Airbnb and the Complexity and Agency of Platform Capitalism,” *Geographica Helvetica* 75, no. 3 (August 19, 2020): 253–57, <https://doi.org/10.5194/gh-75-253-2020>; Burfield, *Regulatory Hacking: A Playbook for Startups*, 21–25.

¹²²⁵ Dan Primack, “Supreme Court Gives States Green Light on Sports Betting,” Axios, May 14, 2018, <https://www.axios.com/2018/05/14/supreme-court-rules-gives-states-go-ahead-to-allow-betting-on-sports-1526307136>.

product and firm, the sheer novelty of the business model and its particular application of technology produces a competency gap that gives these firms—or, at least, the HC that comprises them—unrivaled expertise in comparison to would-be regulators.¹²²⁶ As experts of their own field of unregulated action, these firms become self-regulators who are then the primary source of knowledge for regulators. Regulation may thus be defined according to the dictates of self-interested actors.¹²²⁷ Regulatory arbitrage—exploiting the difference between unregulated and regulated zones to extract a premium—thus becomes the basis of regulation. Leveraging the market power acquired from captured MS (i.e., MSh), the firm can force unregulated changes onto users, and sets the terms and terrain upon which legal challenges will be met and fought. The goal is to pursue illegality (or alegality) in the knowledge others will not, and to transform idealistic spaces presently outside the law into future (ideally legal) realities. When Balaji Srinivasan gave his infamous “ultimate exit” speech at Stanford in 2013, for example, he spoke of “spending unregulated digital currency, sleeping in unregulated hotels, and manufacturing unregulated guns” as various forms of legal (pseudo-libertarian) escape. By 2017, cryptocurrencies, Airbnb, and 3-D printing were

¹²²⁶ This is sometimes referred to the “pacing problem.” See Thierier, *Evasive Entrepreneurs & The Future Of Governance*, 8–9.

¹²²⁷ Legal scholars Edelman and Talesh refer to this as “legal endogeneity,” the process by which self-regulations within organizations are later made into legal conceptions; how self-regulation provides the frame for subsequent design of regulatory codes. See Lauren B. Edelman and Shauhin A. Talesh, “To Comply or Not to Comply - That Isn’t the Question: How Organizations Construct the Meaning of Compliance,” in *Explaining Compliance: Business Responses to Regulation*, ed. Christine Parker and Vibeke Lehmann Nielsen (Cheltenham, UK: Edward Elgar, 2011).

no longer mere fantasy, but massive innovation markets that state regulators were desperately scrambling to comprehend (let alone regulate).¹²²⁸

The other strategy is to find existing regulations that constrain the action of establishment actors, and to find means of “hacking,” avoiding, or evading them in a way that allows for antiestablishment disruption. Sometimes operating in tandem with the first strategy, the goal, as Reid Hoffman colorfully describes it, is to act like a pirate:

“The reality is that many start-ups *are* like pirates: they lack formal processes and are willing to question and even break rules ... Early-stage startups are also on the full offensive, waging guerrilla warfare on bigger, established competitors. They are used to striking quickly, using surprise as a weapon, and taking on risks that established companies can’t or won’t ... But if you succeed as a pirate, you’ll eventually win enough wealth and territory to blitzscale to the Village, City, and Nation ...”¹²²⁹

Hoffman’s invocation of outlaws—literal criminals closely associated with frontier mythologies—tallies well with the notion of *evasive* entrepreneurship, evasion in the context of tax being the explicitly illegal counterpart to legal *avoidance*. Such practices are not accidental instances of ignorance, but intentional strategies designed to maximize growth (G). Paypal, for example, employed this strategy (which has come to

¹²²⁸ Craib, *Adventure Capitalism*, 193.

¹²²⁹ Neatly capturing the awkward ambivalence of anti/establishmentarianism, Hoffman goes on in the same passage to say, “Eventually Captain Jack Sparrow has to grow up and start acting more like the sober and responsible Captain Picard. This transition can be challenging. Founders and early employees often resist changing their approach; after all, didn’t it bring about their initial success? Plus, entrepreneurs tend to have a rebellious streak; natural-born followers don’t always fare so well in a chaotic, “move fast and break things” start-up environment. But failing to make the transition from pirate to navy can lead to disaster.” Hoffman and Yeh, *Blitzscaling*, 179.

be rather affectionately known as “growth hacking” in SVC circles) in order to outgrow its establishment banking competitors. It hemorrhaged money for months (giving every new user \$10 for signing up and \$10 for every referral) while attracting every type of sophisticated banking fraud on the planet and was able to continue doing so because it was growing at a pace of almost 10 percent *per day* around the turn of the century.¹²³⁰ As can easily be imagined, they were in no short supply of VC funds. They successfully exited by IPO in early February 2002, prior to being affected by the full effects of the dotcom crash, once again demonstrating the value of growth over all other measures in the context of VC-backed exits. It is the same strategy employed by Uber, 23andme, Airbnb, DraftKings, and so on.

Sometimes, in order to evade the regulations and the law, a firm does not simply find and operate in legal gray space within a parent jurisdiction, but engages in jurisdictional arbitrage, finding spaces where the rules simply don’t apply. As with Dubai, the several states that relaxed autonomous vehicle rules, and with the charter city model of governance, attracting innovators who cannot operate within their own jurisdiction is an economic draw in itself.¹²³¹ And, because many of the monopolies built by digital software firms are able to outsource physical manufacturing in order to focus on design, they are able to shop jurisdictions for favorable tax treatment on their IP; design firms—including but not limited to software design—are thus able to offshore the bulk of their “value” to minimize their tax liability, thus boosting their

¹²³⁰ Chafkin, *The Contrarian*, 57–61.

¹²³¹ Craib, *Adventure Capitalism*, 219.

value in an artificial way that mimics the benefits of non-profitability practiced by VC-backed firms focused on growth before profits.¹²³²

In either case, whether rules are yet to be established, or are explicitly hacked, avoided, and evaded, lobbying (i.e., seeking to influence policymakers, regulators, and politicians), at a certain point in a firm's development, becomes crucial means by which MS may be dominated for the long-term. So important is lobbying for regulatory hackers, evasive entrepreneurs, and the "pirates of Silicon Valley," that it has given rise to a specialist business practice. Invariant, a technology lobbying firm leveraging SVC as a differentiating factor to mere expertise—especially but not only in the sense of Social Venture Capital—boasts a client list of VC-backed firms including SpaceX, Uber, FitBit, Ring, and TaskRabbit to name but a few.¹²³³ Every client they take on is operating in legal gray zones or is seeking to hack, avoid, or evade existing regulations. On the other hand, the VC industry itself has the NVCA, which lobbies the government for favorable tax treatment and is, as we have seen, vehemently opposed to anti-trust regulations that might curtail exit opportunities. Anything that can promote investor returns is considered within their remit.

Putting this together, it becomes apparent that the idea often presented that deregulation creates opportunities for capitalist profits and economic growth, while regulation does the opposite, is not strictly true. It is an idea that seemingly won't go away, and yet the reality is that what truly creates opportunities for growth (and

¹²³² Srnicek, *Platform Capitalism*, 31.

¹²³³ Heather Podesta, the founder and CEO, frequently appears on podcasts for VC firms such as a16z. See Burfield, *Regulatory Hacking: A Playbook for Startups*, 272–73.

ultimately returns) is regulatory *change*.¹²³⁴ As noted earlier, it is the exploitation of change that defines the entrepreneurial function, and novelty is produced by changes in the composition of material life (including practices). When VC-backed firms grow into unregulated space, they do so with the ultimate aim that one day the regulators will enter the fold, follow the firm's advice (as domain experts), and effectively legitimize that firm's previously illegal or alegal practices in the eyes of the law. This is the end goal of Travis' Law. It is how Prop 22 was passed in California, thus legitimizing the gig economy. For all of the assumptions that regulation acts to oppose the kind of monopolization practices endemic to VC-backed innovation, the fact remains that regulation can produce monopolies just as it can oppose them. This was the case when food regulations entered the US economy in the early twentieth century, putting onerous burdens on small producers that effectively gave monopoly power to big business, and is the same when regulators essentially wiped out what were legally protected taxi monopolies in local jurisdictions to permit Uber's march towards global monopoly of private transportation services.¹²³⁵ In the latter case, numerous small monopolies have been substituted for one massive monopoly.

When lobbying is applied, however, depends on the state of existing regulations. If rules have not yet been established, then lobbying comes later, after implementation. In this scenario the prime goal is to ensure that the narrative may be controlled, especially before the media are able to do so of their own accord. This is precisely how

¹²³⁴ Shane, *A General Theory of Entrepreneurship*, 27.

¹²³⁵ Ian Hudson and Mark Hudson, *Consumption*, Cambridge, UK (2021: Polity Press, n.d.), 48.

Uber framed itself as a liberator, taking down nasty local taxi monopolies.¹²³⁶ It ignored the part where it formed its own global monopoly, and certainly avoids, where possible, drawing attention to its surge pricing strategies that look more than a little bit suspiciously like monopoly pricing.¹²³⁷ The result is to ensure that Uber looks heroic, like a socially *necessary* evolution in private transportation and a progressive force for good. If rules already exist, on the other hand, then lobbying comes first. In this instance the firm does not ask for forgiveness, but permission. This is the case with climate regulations and public subsidies, for example, where private ClimateTech firms and investors have lobbied for public support to help de-risk an otherwise capital-intensive long-term highly uncertain but *massive* field of MS.¹²³⁸ Of course, the best hack of all is to get the government to create a market for you, to alter material life—through regulations, public incentives, and ultimately social protentions—such that private actors may present themselves as fulfilling the pre-existing needs of society, rather than having lobbied for this kind of society in the first place. Such is the case with legislation that would mandate EVs in the near future—a boon to any VC or VC-backed entity working directly or indirectly within this domain.

¹²³⁶ Burfield, *Regulatory Hacking: A Playbook for Startups*, 19.

¹²³⁷ Amazon, among others, engages in almost identical behavior and yet somehow manages to avoid antitrust charges. See Lina M. Khan, “Amazon’s Antitrust Paradox,” *The Yale Law Journal* 126, no. 3 (January 2017): 780, <https://www.yalelawjournal.org/article/amazons-antitrust-paradox>.

¹²³⁸ Not only financial incentives (e.g., subsidies) but bans—supposedly an anathema to advocates of free markets—on gas-powered vehicles are in play. An argument often put forward to policymakers is that if they don’t take action, then China will dominate this market. Speaking in geopolitics is a language politicians understand. Doerr, *Speed & Scale*, 13–15.

CONTRACTED SPACE-TIME: TOWARDS A PHENOMENOLOGY OF VENTURE CAPITAL

“Techno-Optimism is a material philosophy, not a political philosophy.”

Marc Andreessen, *The Techno-Optimist Manifesto*.

The general argument in this chapter has been that, to complement the argument of Chapters 3a and 3b, the substance of growth (G) underpinning the general formula for VC is in part composed of MS and its capture as MSh. The duality of this formation, MS-MSh, as with the various aggregations of HC (e.g., $HC + HC' = HC''$), implies a movement, and it is this movement—dialectical in nature—that begins to explain growth (G) as a movement in itself. It is the demonstration of this movement, furthermore, that reveals the historical contingency and path-dependent specificity of what appears otherwise as the seemingly necessary march of VC-backed innovation. HC(‘,‘’) comes together with MS-MSh in a complex arrangement of ideas and materials organized according to the dictates of the VC process, including concrete ideological and topological arrangements.

It is in light of the historical development and formation of the outputs of VC, that the recurring motif of frontiers appears on a continuum with both the history of capitalism and the US as its global hegemon. A curated image of the frontier (and of frontiers) invokes progress, justice, practicality, and necessity, while eliding the

unsanctioned dispossession of the material world according to the dictates of Western and, for lack of a better term, *bourgeois* ideology. The frontier myth plays ignorant to prior claims of possession, and strictly denies any possibility of common “ownership,” but then frames what lies beyond it according to the very terms that would make it feasibly possessable.¹²³⁹ The accumulation of that which has not been previously accumulated always implies class-based accumulation, and always grounds itself in the lie that certain classes (“fit peoples”) are more worthy of possessing the fruits of dispossession. Call it finders-keepers, creative destruction, or accumulation by dispossession, the principle is the same: “history” demands that which already exists in common must eventually be re-presented as a resource for private wealth accumulation.

As with Chapters 3a and 3b, the theme underlying my presentation in Chapter 4 (and throughout Part II of this dissertation) has been “contracted space.” Whereas in Chapters 3a and 3b I presented this idea as it appears internal to the VC process (HC drawn in towards SVC), the focus of this chapter has been how space contracts in its external dimensions. In both cases subject-objects are contracted in towards *eidōs* and *topos* of SVC, however, while in Chapters 3a and 3b, these subject-objects were the VC-backed producers (e.g., entrepreneurs), in Chapter 4 these subject-objects are the users of VC-backed outputs (be they producers, consumers, or prosumers). By disrupting and monopolizing MS with a view to converting it into MSh, VC-backed innovation seeks to rapaciously draw social action, always grounded in material life,

¹²³⁹ Matthew Sparke, *In the Space of Theory: Postfoundational Geographies of the Nation-State* (Minneapolis: University of Minnesota Press, 2005), 5; David Harvey, *The Condition of Postmodernity* (Cambridge, Massachusetts: Blackwell Publishing, 1990), 203.

towards a singular idea (the monopoly product), eliminating alternatives in its path. In doing so it presents the image of necessity: material life can *only* be organized in this way because it is the only available option. This is the basis of its path dependency. These ideas (realized in material products), however, are already a result of contracted space given that the agents of their actualization (HC) have already been contracted in towards SVC.¹²⁴⁰ The horizon of future possibility contracts, along with contracted space (Figure 4.3).

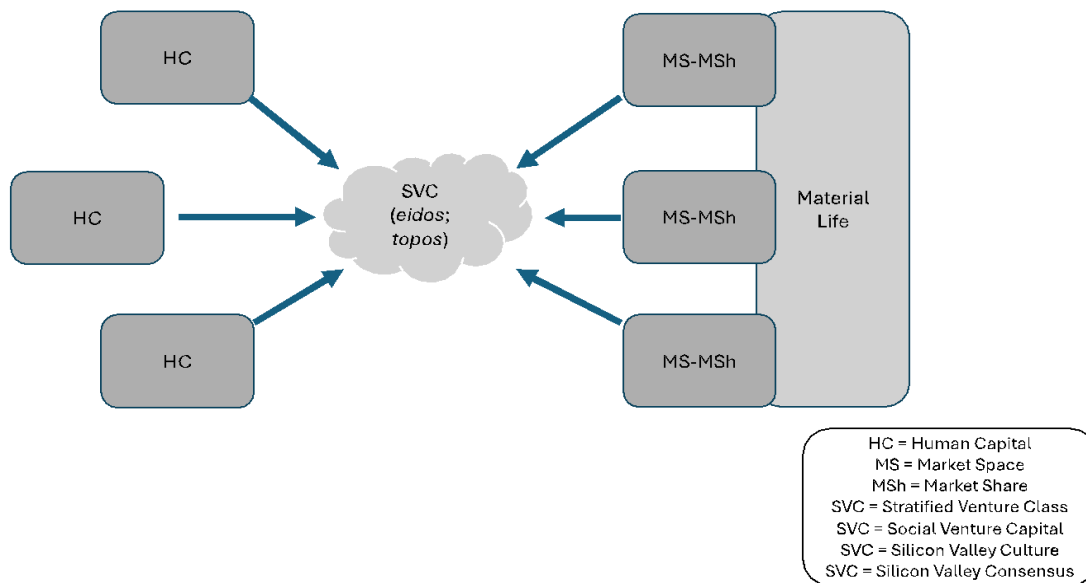


Figure 4.3 – Contracted Space (HC + MS-MSh) (Source: Author)

¹²⁴⁰ As Jordan Nof, co-founder of Tusk Ventures (the firm whose narrative opened this chapter) put it to me: VC is a cottage industry giving advice to major players. This is an antithesis, and they are well aware of it. Interview with Bradley Tusk and Jordan Nof, conducted March 8th, 2023. VC stands at the center of a small cabal deciding the future of the world piece by piece, segment of MS by segment of MS.

Contracted space (Part II) therefore comes together with contracted time (Part I) on a continuum: contracted space-time. As I argued in Chapter 2, one dimension of contracted time is to draw the image of future monopoly or market domination into the singularity of exit. However, the very image of monopoly upon which this depends is the product of contracted spatial arrangements of usage. Contracted space-time is thus a complex arrangement in which the past, future, near, and far are drawn towards a materialist ideology that, while presented as a necessary source of social renewal through the application of human knowledge and discovery (and reduced to the figure of “technology”), is little more than the renewal of class-based accumulation and thus the reproduction of class-based privilege.

It is by drawing space and time together in the way that I have presented that VC is able to realize the unprecedentedly massive valuations that have characterized its relatively short historical existence. Although VC slows down realization according to the dictates of orthodox capitalist procedures (M-C-M'), it undoubtedly speeds up and *intensifies* the magnitude of realization. Unicorns and dragons—previously unthinkable entities—are not just becoming more common, they are becoming bigger in shorter timeframes and thus, given the relatively consistent 10 to 12-year timeframe of VC funds, becoming bigger in terms of absolute value realized at the point of exit when inspected over a secular timeframe (i.e., homogeneous empty time). It is in part for this reason that I have avoided David Harvey's term “time-space *compression*,” which I believe remains a true description of the flows of global capital but does not encapsulate the same idea I am attempting to present here. Contracted space-time

should be seen as a critical supplement to time-space compression and not as its replacement.¹²⁴¹ Whereas Harvey uses time-space compression to illustrate how capitalism has, across history, sped up the pace of life (and thus production, consumption, and ultimately realization), contracted space-time is intended to illustrate how VC increases the *density* of space and time such that the very plane upon which capital is to move is drawn together so that realization can be slowed down and simultaneously intensified both spatially and temporally. Just as Harvey argues that monetization modifies the qualities of space and time, so too must we understand that equity (E), its analog in the sphere of VC-backed investment, modifies space and time in its own unique way.¹²⁴² Using a physical analogy, whereas time-space compression speaks to the relativization of space and time according to Einstein's notion relativity in the existing universe, contracted space-time speaks to the image of singularity preceding such relativity, an image that suspends space and time while also being pregnant with it. Thus, whereas Harvey's time-space compression leads to the claim that "spatial barriers can be reduced only through the reproduction of particular spaces (railways, highways, airports, teleports, etc.)," contracted space-time allows for theorizations of a multidimensional spatial fix that can overcome capital's spatial limitations not merely in absolute space, but also relative space—absolute space may be relativized just as relative space may be made absolute. And just as space

¹²⁴¹ Harvey's space-time compression is related but different. Compression acts upon an object or process from the outside, tightening its elements; contraction internally draws those elements in upon the object or process—it is density formed via a "bringing together." Harvey, *The Condition of Postmodernity*, 240–42.

¹²⁴² Harvey, 229.

compression for Harvey naturally works in tandem with time compression, speeding up the pace of life, so too does contracted space work in tandem with contracted time: the multidimensional spatial fix, by contracting the various layers through which we are plugged in to capital (e.g., via the smart devices we all carry around with us or interact with almost constantly) facilitates a total spatiotemporal collapse such that we are always producing, consuming or presuming, even potentially when we sleep. If capital is value in motion as Harvey convincingly argues, then contracted space-time is the densification and intensification of capital. Put together, contracted space-time presents itself as an immensely complex multidimensional spatiotemporal fix.

Harvey argues that our objective conceptions of space and time are created through material practices and the reproduction of social life. By hijacking our protentions through the contracted space-time, our future material practices have already been decided for us. And no subject, anywhere in the world, is out of scope. MS—unrecognized to most—is the untapped material life that may yet be made subject to market forces. Once this has been achieved, mediated by VC-backed technological change, the capitalization of previously uncaptialized material life becomes an inevitability.

Additionally, another reason why I have opted for the term “contracted,” as already described in relation to contracted time, is that value can only be held together and given substance by the use of contracts and legal arrangements. It is by virtue of these contracts that the institution of private property is both upheld (reproduced) and expanded (renewed). Just as term sheets give VCs property (i.e., equity) rights to the

novel innovations proposed by (v)entrepreneurs, so too do licensing agreements and subscriptions produce the private property arrangements that VC-backed value propositions depend upon. It is only by making material life subject to such contractual (and thus contracted) arrangements that it can be valorized and sequestered to private interests. Often we are made subject to these contracted social relations without even realizing it. We, the producing, consuming, and prosuming public, are complicit in our own submission to private wealth accumulation. Echoing the history of frontier settler colonialism, the basis of private property accumulation today, as then, proceeds by legally sanctioned dispossession. In the context of VC, we may characterize this as growth by dispossession.

But while material life is progressively mined and subsumed into MS, MSh, and thus ultimately the private interests of capital, the state's public interests in determining material life is necessarily diminished. States and markets are frequently held up as oppositional forces, even though by "markets" we truly mean capital. If my argument is correct, and the function of growth (G) in VC is in part dependent upon the capture and transformation of MS which depends on material life, then one of VC's many effects is to eclipse the public space entrusted to the state. Crudely paraphrasing Piketty, we may express this as a formula: $MS > SS$ (where MS signifies market space and SS signifies state space). In a supposedly post-imperial, post-colonial era, the space of the state is relatively stable, but the space of the market is expanding at an accelerating rate as a result of VC-backed innovation. It is a manifest destiny made manifest by the agents of VC, the proponents of "techno-utopianism" who are

reworlding the world according to their own self-interested designs.¹²⁴³ As Langdon Winner argues in his critique of technological determinism: technology doesn't shape society, society shapes technology.¹²⁴⁴ But in a society where we have come to accept the narrow worldviews of the Silicon Valley Consensus, has society really ever had a choice?

VC is accelerationism operationalized, and it is inherently political even as it eschews the traditional political sphere. Bradley Tusk, with whom we opened this chapter, knows this fact well; he knows that the public sphere of politics and the state is a blind spot for (v)entrepreneurs even as they seek to encroach upon this space. He describes Washington and everything it stands for as a “disorganized mess of partisan and publicity-seekers temporarily united in opposition to Silicon Valley.” The subtext? Silicon Valley will outlast and eclipse the state, for the state is our enemy and the market (i.e., capital) is our savior. Government regulators have the power to make or break new companies but (v)entrepreneurs can also, Tusk believes, influence politics. For Tusk and people like him, SVC will inherit the future of the world.

* * *

¹²⁴³ Marc Andreessen, “The Techno-Optimist Manifesto,” *Andreessen Horowitz* (blog), October 16, 2023, <https://a16z.com/the-techno-optimist-manifesto/>.

¹²⁴⁴ Langdon Winner, “Do Artifacts Have Politics?,” *Daedalus* 109, no. 1 (Winter 1980): 121–36.

In *A Critique of Pure Reason*, Kant argues that all experience is given through the intuitions of space and time. These intuitions are the basis of every limitation and possibility given to human experience, they are the precondition of our being-in-the-world. If space and time are modified, reality grounded in human experience will take on an entirely different appearance. In light of contracted space-time, we must therefore consider how this world, the world given to us by VC, *appears* to its dwellers. In Part III, therefore, I will attempt to transcend these discussions of time and space to explore VC at the level of *appearance*. To finally answer the question of why the social critique of VC remains obscure, we must pursue nothing less than a social phenomenology of its existence.

PART III: INVESTMENT

[CHAPTER 5]

The New Intellectuals

The Aesthetics of Value

“One of the characteristics of the intellectuals as a crystallised social group ... is precisely that of connecting itself, in the ideological sphere, precisely in the intellectual category by means of a common conceptual nomenclature. Every new social organism (type of society) creates a new superstructure whose specialised representatives and standard-bearers (the intellectuals) can only be conceived as themselves being ‘new’ intellectuals who have come out of the new situation and are not a continuation of the preceding intellectual milieu. If the ‘new’ intellectuals put themselves forward as the direct continuation of the previous "intelligentsia", they are not new at all ... but are a conservative and fossilized left-over of the social group which has been historically superseded.”¹²⁴⁵

Gramsci, “Problems of Marxism” in *The Prison Notebooks*, p.452-453

“Popular narratives about innovation are dominated by the figure of the genius. In popular culture, we are often led to believe that all technology is created by brilliant, well-educated, mostly white (cis)men, working in university labs, corporate R&D departments, or perhaps in their garages, who go on to found Silicon Valley start-ups ... Why do cultural narratives about individual genius inventors predominate? In part it’s because the most visible narratives about design and innovation are well-resourced corporate mythologies” ¹²⁴⁶

¹²⁴⁵ Antonio Gramsci, *Selections from the Prison Notebooks* (New York, NY: International Publishers, 1971), 452–53.

¹²⁴⁶ Sasha Costanza-Chock, *Design Justice: Community-Led Practices to Build the Worlds We Need* (Cambridge, MA: MIT Press, 2020), 116.

Sasha Costanza-Chock, *Design Justice*, pp.109, 116

“In the real world ... the productive process incorporates the means by which wants are created, and these are further sustained by fashion, social aspiration and simple imitation. What others do or have, one should do or have. The most important and intrinsically most evidence source of consumer demand is the advertising and salesmanship of those providing the product. First you make the good, then you make the market. This is deeply in conflict with accepted economic thought. In that, nothing was so fundamental as the concept of consumer sovereignty—the according of final economic authority to those the economic system serves.”¹²⁴⁷

John Kenneth Galbraith, *The Affluent Society*, p.ix

INTRODUCTION: THE GENIUS OF CAPITAL

Around a year and a half before he received a 25-year prison sentence for orchestrating multiple counts of fraud against investors and consumers, Sam Bankman-Fried (or “SBF,” as he is known) was the subject of a lustrous profile published by Sequoia Capital. The profile, bordering on panegyric, has long since been taken down and replaced with something more akin to a eulogy, Sequoia having good reason to lament the death of one of its most promising investments. And yet, for all the promise of their investment in SBF’s cryptocurrency firm FTX, the whole thing ultimately turned out to be built on sand. The promise, it seems, was empty.

The profile began as it meant to go on:

¹²⁴⁷ John Kenneth Galbraith, *The Affluent Society* (New York, NY: Houghton Mifflin Company, 1998), ix.

“Every startup has a startup story. Apple was two hackers in a Los Altos garage. Google was two grad students in a Stanford dorm room. Alameda Research was just one guy in a Berkeley apartment, making a single cryptocurrency trade. That guy was Sam Bankman-Fried, or SBF to his friends. Yet the trade he made, which eventually led to the crypto-trading platform FTX, is far from the standard Silicon Valley creation tale. In 2017, when he was merely 25, SBF collapsed the so-called kimchi premium, an anomalous delta between the price of Bitcoin in much of Asia and its price in the rest of the world. It was a daring feat of arbitrage—SBF is the only trader known to have pulled this off in any meaningful way—one which quickly made him a billionaire and achieved the status of legend.”¹²⁴⁸

The general sense given by the profile was that SBF is “obviously a genius” and that we should all share the profiler’s sense of awe: “compared with me, SBF will always be playing at level N+1.” After all, SBF, whom the profiler contended may become the world’s first trillionaire (well, not anymore), wasn’t doing this for the money but for all of us, the people. SBF, a co-founder of the effective altruism movement, had developed a reputation for his charitability and “live[d] his life by a calculus of altruistic impact.” He wasn’t just a genius, either, but a hero:

“To be clear, SBF is not talking about maximizing the total value of FTX—he’s talking about maximizing the total value of the universe. And his units are not dollars: In a kind of GDP for the universe, his units are the units of a utilitarian. He’s maximizing utils, units of happiness. And not just for every

¹²⁴⁸ Adam Fisher, “FTX CEO SBF Wants to Fix Crypto—And Everything Else,” Sequoia Capital, October 27, 2022, <https://web.archive.org/web/20221027181005/https://www.sequoiacap.com/article/sam-bankman-fried-spotlight/>.

living soul, but also every soul—human and animal—that will ever live in the future. Maximizing the total happiness of the future—that’s SBF’s ultimate goal. FTX is just a means to that end.”

What a guy. Only that’s the problem: he wasn’t. Perhaps the profiler should have hesitated when SBF made a somewhat startling admission (for a genius, anyway):

“I would never read a book ... I’m very skeptical of books. I don’t want to say no book is ever worth reading, but I actually do believe something pretty close to that ... I think, if you wrote a book, you fucked up, and it should have been a six-paragraph blog post.”

The thing is, like all the genius VCs at Sequoia who backed him with their reputations, the profiler had resorted to pattern matching in their assessment of SBF—he was, after all, white, elite-educated, cisgender, Northern Californian. Moreover, this denigration of books, it was so *contrarian*, so against common sense that it had to be, thought the profiler, just another sign of his genius that us mere mortals could and would never understand. He ticked all the boxes, he had to be a winner:

“Whatever mojo he worked on the partners at Sequoia—who fell for him after one Zoom—had worked on me, too. For me, it was simply a gut feeling. I’ve been talking to founders and doing deep dives into technology companies for decades. It’s been my entire professional life as a writer. And because of that experience, there must be a pattern-matching algorithm churning away somewhere in my subconscious. I don’t know how I know, I just do. SBF is a winner.”

So promising was FTX with SBF at the helm, that the general sense was that it didn't need capital. One of the many red flags, however, was that it wanted to raise capital anyway. Part of the reason no-one questioned this strategy was because they assumed FTX was not fundraising with VCs to gain financial capital, but because it wanted the social, cultural, and reputational capital (SVC) that only high-profile VC investors could provide:

“[FTX] was built to be the exchange traders could count on. SBF needed to get the word out. He wanted FTX to be known as the respectable face of crypto. ... it needed that money from credible sources so it could continue to distinguish itself from the bottom-feeders who came to crypto to fleece the suckers. So, in the summer of 2021, when FTX started to raise its Series B from a who's who of Silicon Valley VCs, [Michelle] Bailhe and [Alfred] Lin [investors at Sequoia Capital] hit the “Don't Panic” button. ‘Embarrassingly, we had never tried to reach out to Sam, because we figured he didn't need us,’ Bailhe admits. ‘I thought they were just minting money and had absolutely no need for investors.’”

Of course, FTX was a complete sham, despite Sequoia's best attempt to distinguish FTX from the scammers and charlatans they freely admit pervade the crypto industry. And VC investors, supposedly the best and brightest of the best and brightest industry, ignored all the red flags.

Ultimately, it turned out, SBF had been misappropriating the funds deposited with FTX by investors and consumers, defrauding VCs of \$1.7 billion alone (plus \$1.3 billion to Alameda Research, its SBF-founded affiliate). According to the US Justice

Department's report, he was found guilty of "two counts of wire fraud, two counts of conspiracy to commit wire fraud, one count of conspiracy to commit securities fraud, one count of conspiracy to commit commodities fraud, and one count of conspiracy to commit money laundering." As the Attorney General put it, "Anyone who believes they can hide their financial crimes behind wealth and power, or behind a shiny new thing they claim no one else is smart enough to understand, should think twice."¹²⁴⁹ Thinking twice is precisely what VCs did not do.

SBF is not the only one to have followed this path—the downfall of other VC-backed entrepreneurs such as Elizabeth Holmes (Theranos) and Adam Neumann (WeWork), alongside a host of other names most people have never heard of, tell similar if not identical stories. How, then, are we to explain the extraordinary sums of capital and wealth produced by such charlatanry?

In Parts I and II, I addressed VC as a process, method, and means of accumulation in terms of time and space respectively, the general argument being that these aspects of human experience are doubly contracted by VC process, drawn in towards into ideas, places, and moments that are held together by implicit and explicit contractual agreements. Ultimately, however, the phenomenon of contracted space-time will manifest itself *as* phenomenon—that is, in appearance. All who interact with VC's machinations, be they LPs, GPs, (v)entrepreneurs, startup employees, or the

¹²⁴⁹ Office of Public Affairs, "Samuel Bankman-Fried Sentenced to 25 Years for His Orchestration of Multiple Fraudulent Schemes," United States Department of Justice, March 28, 2024, <https://www.justice.gov/opa/pr/samuel-bankman-fried-sentenced-25-years-his-orchestration-multiple-fraudulent-schemes>.

consuming public (including producers, consumers, and prosumers), will be made subject to a contingent experience of reality rendered possible by these modifications of time and space. Thus, whereas previous chapters have addressed the process (temporality) and organization (spatiality) of VC, this chapter and the next are about the images, representations, and fields of perceptibility that constitute its appearance.

I begin this discussion by revisiting and expanding the general formula for VC, adding an additional, more general, and more fundamental layer to the substance of growth (G). I define the elements comprising this new layer as “fulfillment” and “lack,” the first term corresponding to products and HC(-HC’), the second to markets and MS(-MSh). Collectively, each side of this relation forms an overdetermined string of associations: Product-HC-Fulfillment, Market-MS-Lack. By introducing these new elements, I hope to facilitate insight into both the abstract and concrete appearances inherent to VC’s mechanism of growth (G) and valorization (E’). Following Marx, I privilege production (fulfillment) in this discussion, arguing that entrepreneurial novelty—the value capture proposition underpinning VC—is both discovered *and* created. The (v)entrepreneur—disproportionately white, (cisgender) male, elite-educated, able-bodied, STEM-biased—provides solutions to the problems that appear to them *as* they appear to them. The process by which problems are identified and “solved” consequently gives rise to the techno-optimism and utopianism which is characteristic of SVC, while propagating this vision to the world at large. Because the problems solved for are initially problems that appear to an arbitrarily accessible group, when fulfillment occurs to the world at large it has the remarkable capacity to *precede*

lack. That is, we are presented with novelties that we didn't know we wanted until we had them. While this appears to us as the work of genius, I argue that the true nature of this phenomenon is a reversal of causality in production, such that (for most of us) the solution or effect (fulfillment) precedes the problem or cause (lack).

To explain this reversal, I explore in the second section how a tripartite aesthetic of reputation, genius, and leadership come together to form representations of legitimation. Why is it, I ask, that we allow the agents of SVC to speak for us in this way? Both internal and external to the world of VC, I argue, reputation produces a self-fulfilling prophecy wherein success breeds success—if only because failure is obscured from view. Reputation magnifies the social, intellectual, and symbolic capital of VC firms, just as it does the same for (v)entrepreneurs. This in turn magnifies the reputation of (v)entrepreneurial firms and products in the eyes of a consuming public. It is by virtue of the reputation produced by success that claims of “genius,” so prevalent and integral to SVC, gain credence. And it is by virtue of this legitimation that the agents of SVC are crowned as the new intellectuals of our era, as the thought leaders appropriately positioned to renew the world *on our behalf*. Examining the notion of genius critically, however, I argue that this image rests on a curated mythology of entrepreneurial archetypes—the Steve Jobss, Elon Musks and, for a while, Sam Bankman-Frieds of this world—beneath which lies little more than a curious mix of “contrarian” thinking underpinned by a buccaneering culture of presumptuous audacity and the raw social power of capital. Finally, it is via this genius aesthetic that the image of a “fit people”—a people fit to lead the rest of us—emerges in the form of the

“thought leader.” And it is ultimately we, the people, that permit, facilitate, and nurture the elites of SVC as the new(est) instantiation of society’s ruling class. By following the lead of SVC’s supposed geniuses, we submit to their own framing of society’s problems, and in adopting this framing tacitly agree to their solutions. We accept their innovations as the inspired outputs of agents possessing higher intelligence and greater abilities, and as an unequivocal demonstration of progress.

In the final section of this chapter, building upon the notion of “aesthetic” representation, I bring together the argument of the two previous sections to explore the substance of value as an imaginary, or hyperstitional construct. The mythologies surrounding reputations, genius, and leadership culminate, I suggest, in a kind of heroic theater. The VC-backed entrepreneur is presented as a heroic creator, echoing both the libertarian writings of Ayn Rand and the philosophical writings of Deleuze and Guattari, the latter of whom argue that computer scientists, marketers, designers, and advertising executives have today replaced philosophers as the creators of concepts. The implication is that today’s purveyors of novel concepts and categories appear to us as “category (née philosopher) kings” fit for society’s contemporary challenges—the “democratizers” of everything from stock trading (Robinhood) and financial services (PayPal) to coaching (CoachHub) and healthcare (Theranos). Closer scrutiny, however, reveals that the heroism of this creative act depends on a surreptitious substitution of wants for needs, a slight of hand in which frivolous novelty is presented as essential progress. By embracing the image and performative role of the “hero,” these actors—VCs and startups alike—gain symbolic value greatly exceeding their (initial) material

capabilities. Leveraging the stored value of reputation bestowed by SVC, these firms—by nature small and unproven—present themselves as world-beaters, as agents of necessary global social change. In doing so, they are able to present symbolic value as symbolic growth (and vice versa) and to transform otherwise limited capabilities into “real” material growth (and value) that further supports the image of symbolic growth (and value). Through the crude operationalization of mimetic desire, the ability to transform “hype” into material value forms a precarious balance of social forces that gives us Theranos, FTX, and WeWork (all failures) on the one hand, and Moderna, Uber, and Facebook (all successes) on the other; these processes are, I argue, the basis of both socioeconomic bubbles (e.g., the dotcom boom and bust) and the Silicon Valley mantra “fake it until you make it.” Ultimately, however, when they do “make it,” the result is a field of social necessity in which all alternatives have fallen from view, in which a general hype about the future—its general potential—has been privatized and reduced to a particularized and proprietary menu of products and services.

To conclude this chapter, I suggest that our world, through the “fulfillment first” approach facilitated by VC, has become subject to a new hegemony of coercion and consent. By enlisting us all to a technocultural milieu of socially necessary, product-mediated action, the moral and intellectual leadership of SVC has both renewed the world and reproduced a class-organized system of haves and have-nots in which we are all complicit, and in which we have all inadvertently acquired skin in the figurative game.

I. UNCANNY FULFILLMENT

Product-HC-Fulfillment and Market-MS-Lack

In the previous three chapters constituting Part II, I expanded growth (G) in the general formula for VC and argued that product and market (and specifically product-market fit) were insufficient explanations of growth (G) because they represented an end result rather than *movement*, the latter of which I take to be an essential feature of growth. In doing so, I crossed product and market out in favor of HC (HC—HC') and MS (MS—MSh). I chose not to fully erase these terms because, as an end result, the fact remains that they constitute the concrete phenomenal form (i.e., appearance) of the growth process. Put another way, product and market are not irrelevant features of the growth process, but constitute only an *apparent* explanation obscuring deeper, more fundamental elements and movements. To fully understand growth (G), then, it is necessary not only to reintroduce product and market alongside HC and MS, but to add an additional layer to the model representing the most abstract, general, and essential features of growth (G). I refer to these features as fulfillment and lack (Figure 5.1).

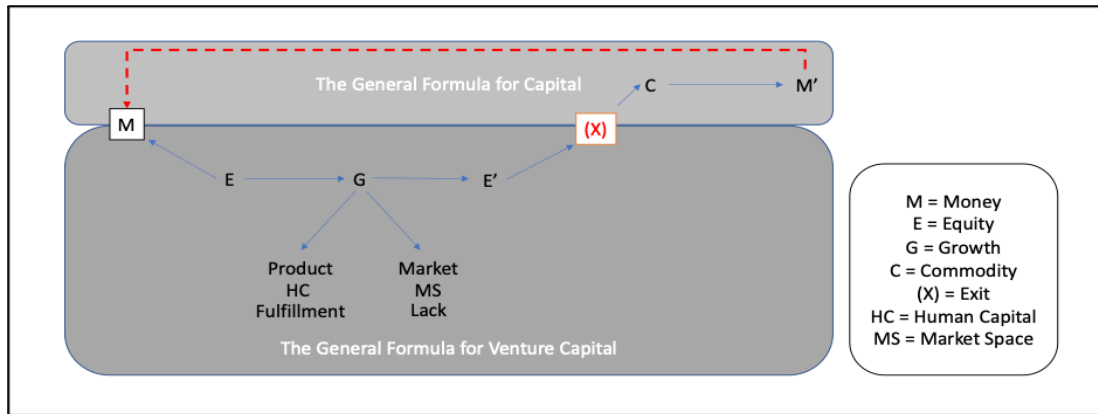
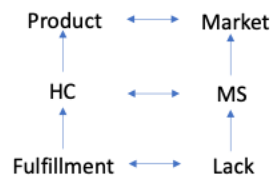


Figure 5.1 – The General Formula for Venture Capital (Fulfillment-Lack) (Source: Author)

When put together in this way, the growth process breaks down into two stacks of dialectically entangled pairs. On the one side, there is the triptych Product-HC-Fulfillment; on the other, Market-MS-Lack. Presented so, the accumulation and valorization of HC and MS (i.e., (HC-HC' and MS-MSh) mediates between growth's most abstract and concrete forms. The picture, seen in its entirety, is one of incessant movement.



Fulfillment always seeks to address lack, while HC always seeks to transform abstract fulfillment (of lack) into a concrete product acceptable for distribution to a market; lack always presents a material demand for fulfillment, while MS presents a channel for this to be potentially achieved via exchange (which involves the reconceptualizing the

object as not merely an object of utility, but exchange value too—an act pursued by HC). Once exchange has successfully taken place, a market has come into being. The movement from abstract fulfillment-lack to concrete (phenomenal) product-market fit undergirds the movement of growth (G).

Problem Identification and Solution

We saw in Chapter 3a that although the VC investment process orbits around the product and product pitch, the market (or more accurately, MS) is the precondition of success in the quest to achieve product-market fit. Similarly, the VC investment process orbits around fulfillment but at the same time depends upon lack as a precondition of fulfillment being successful. Indeed, private equity research demonstrates that a lack of market need (i.e., a lack of lack) is the second most common reason why startups fail. What is notable about this statement, of course, is that lack of market need is only second on the list—of greater and primary impact is a lack of capital.¹²⁵⁰

The evidence on this point is suggestive of a productivist bias in VC-backed entrepreneurship.¹²⁵¹ As stated previously, the (v)entrepreneur (HC) brings the product (fulfillment), and the experienced VC (HC') assesses the potential market (MS). Thus the investment process itself essentially begins with a pitch for fulfillment, against

¹²⁵⁰ “Why Startups Fail: Top 12 Reasons | CBInsights,” accessed May 4, 2022, <https://www.cbinsights.com/research/startup-failure-reasons-top/>.

¹²⁵¹ The productivist perspective of political economy is explained in Ian Hudson and Mark Hudson, *Consumption*, Cambridge, UK (2021: Polity Press, n.d.), 13–15. In short, its central premise is that the desire to consume is influenced by production practices.

which an assessment of lack is made. One rule of thumb frequently expressed in the writings of VCs (to the point of cliché) is to make this assessment on the basis of whether the object of fulfillment is a “vitamin” or a “painkiller.”¹²⁵² VCs, in general, want to fund the latter rather than the former. Put in plain terms, whereas vitamins are a “nice to have,” painkillers are the essential remedy to a disequilibrium within the consuming subject.¹²⁵³ The fact is, as one VC puts it, people will do whatever is within their means to make a pain stop.¹²⁵⁴

The painkiller approach offers several benefits from an investment standpoint. First, by pursuing painkillers a venture is seeking to fulfill what is perceived by the consuming subject as not merely a want, but a need. We shall return to this point later in this chapter and the next, but for the moment suffice it to say that a perceived need or necessity invokes stickiness (i.e., consumer retention, a necessary ingredient of growth) and the possibility of monopoly—two features highly valued by the VCs operating under the VC process. Secondly, the painkiller approach reduces the risk inherent to uncertain ventures. Painkillers demonstrate results more quickly than vitamins and have an observability factor that vitamins lack. They allow a VC to

¹²⁵² See, for example, Scott Kuper, *Secrets of Sand Hill Road: Venture Capital and How to Get It* (Penguin Random House, 2019), 50; Nir Eyal, *Hooked: How to Build Habit-Forming Products* (New York: Portfolio/Penguin, 2014), 32–34; Ali Tamaseb, *Super Founders: What Data Reveals About Billion Dollar Startups* (New York, NY: Hachette Book Group, 2021), 113.

¹²⁵³ Throughout this chapter I will, for ease of presentation, generally refer to the subject-target of production as the “consumer.” Later in the chapter, however, I will try to add nuance to this term by suggesting that VC is helping shift the “consumption” paradigm towards “usage.” In addition, it should be noted that a “consumer” may refer to a producer (i.e., consuming raw materials for production), or a prosumer (one who produces through their consumption, as is the case with influencers and other social media users), or a straightforward consumer.

¹²⁵⁴ Tamaseb, *Super Founders*, 116.

determine quite early on whether growth (G) is being achieved, and whether to continue investing in a venture in subsequent rounds. This is why the VC Ben Horowitz, paraphrasing numerous others, says quite explicitly that as a VC “you want to fund aspirins.”¹²⁵⁵

There is a nuance to this “painkiller” approach, however. As influential product and software consultant Nir Eyal points out, the pain that a (v)entrepreneur is seeking to solve is not really a pain (at least, not in the majority of cases). More often than not it is an “itch,” compulsion, “habit” or *desire* in need of fix or fulfillment. It is, as such, grounded in a sense of lack and a desire for that lack to be eradicated through an act of *fulfillment*.¹²⁵⁶ The object of fulfillment, then—the product—is less strictly a painkiller and more appropriately a *philter*. Better still, we may designate the object of fulfillment as a *pharmakon*: as simultaneously a recipe, remedy and poison.¹²⁵⁷ After all, as research on the diffusion of innovations has long professed, the positive bias inherent to innovation practices in contemporary society (mid twentieth century through to the present) obscures a simple fact: innovations may not always be desirable and may even cause harm. Fulfillment through innovation does not always symbolize progress for all people.¹²⁵⁸

¹²⁵⁵ Quoted in Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 50.

¹²⁵⁶ Obviously, in the biotech sector, for example, sometimes the product is a literal *pain* killer. But in most cases, as I will attempt to show, the pain is less of a literal “pain” and more of a sense of lack. Eyal, *Hooked: How to Build Habit-Forming Products*, 34.

¹²⁵⁷ Jacques Derrida, “Plato’s Pharmacy,” in *Dissemination*, trans. Barbara Johnson (University of Chicago Press, 1983), 63–71.

¹²⁵⁸ Everett M. Rogers, *Diffusion of Innovations*, Fifth (New York, NY: Free Press, 2003), 12.

When the metaphor of painkillers is not being used, the sentiment invoked by the notion of a pain-point is more generally framed as a “problem.” A problem is, in its essence, a lack; it declares that a component of reality is not operating as it should because some other component is missing. In the context of (v)entrepreneurship, the process of identifying and assessing the broad validity of problems is, as such, the process of identifying and sizing MS. The question confronting a VC is whether a given problem has adequate social applicability (i.e., market *size*, or TAM) to justify investment.

In terms of problem identification and assessment, we are confronted with two levels of mediation potentially limiting the designation of lack underpinning any given problem: (1) the life experiences, worldviews, and decisions of (v)entrepreneurs deciding what to build; and (2), the life experiences, worldviews, and decisions of VCs deciding whether to invest or not in any proposal presented by (1). As the influential blogger Paul Graham—also co-founder of Y Combinator and thus chief feeder of VC deal-flow in Silicon Valley—once put it in a blog post to would-be founders:

“The way to get startup ideas is not to try to think of startup ideas. It's to look for problems, preferably problems you have yourself ... it ensures the problem really exists ... Pay particular attention to things that chafe you.”¹²⁵⁹

¹²⁵⁹ Paul Graham, “How to Get Startup Ideas,” *Paul Graham* (blog), November 2012, <https://paulgraham.com/startupideas.html>.

While Graham's intention is undoubtedly to nudge would-be (v)entrepreneurs towards problems that actually exist in the world (rather than fantasies about non-existent problems), his advice explicitly encourages would-be (v)entrepreneurs to define problems according to their own life experiences. Given what we already know about a lack of diversity in the VC-backed entrepreneurial community, and its relationship to the lack of diversity in VC, the problems that make it through filters (1) and (2) are disproportionately skewed towards the problems affecting white, elite-educated, straight, cisgender males who, at the very top of the VC financing scale most likely reside in Northern California. Thus, not only does the framing of problems in this way (i.e., based on personal experience) narrow the field of potential problems "solved" by VC-backed entrepreneurs, but as the most *privileged* members of society the problems that such a population experiences and seeks to remedy could reasonably be expected to serve a privileged class view—what I have referred to as SVC—strengthening what Design Justice scholar Sasha Costanza-Chock refers to as the "matrix of domination (white supremacist heteropatriarchy, capitalism, and settler colonialism)."¹²⁶⁰ Here is how one commentator, writing about the San Francisco Bay Area startup scene frames it:

"There is nothing wrong with making things that people want. The problem is that personhood and desire are constrained by capital; money affects whose wants appear to matter. The kids in Startup House may want a pizza delivery drone, but not in the same way low-income families want health care, or the

¹²⁶⁰ Costanza-Chock, *Design Justice*, 41.

elderly men lying in their own faeces on Howard Street want a safe place to sleep. There is nothing wrong with making things people want. It's just that too little attention is being paid to the things people need. The wants and needs of young healthy middle-class people with connections and a reasonable amount of spare cash are overrepresented among Start-up City's priorities. For one thing, those are the problems with solutions that sell. For another, given a few million dollars and a team of semi-geniuses, those problems are easy to solve."¹²⁶¹

To reiterate the point, this process of narrowly framing problems is filtered first through the (v)entrepreneur and then again through VC, each time refining the idea to meet ever more elite perspectives (which, as they pass through these filters, are increasingly motivated by exchange- and surplus-value motivations, as per Chapter 1). As Sebastian Mallaby puts it, invoking the sentiments of celebrity VC Vinod Khosla: “Bold innovators goaded by even bolder venture capitalists offer[] the best shot at satisfying human aspirations.”¹²⁶²

The challenge, of course, is how a problem (lack) affecting a narrow few may be presented as the kind of massive, *socially shared* lack that VC would be interested to invest in. Not only must a problem be framed in terms of general applicability, but the (v)entrepreneurial *solution* must present itself as the most obvious and popular option in order to find critical mass and legitimacy of adoption. One way to do this is to target the solution for precisely those people who have the problem: elites. So

¹²⁶¹ Laurie Penny, “A Tale of Two Cities,” ZNetwork, April 15, 2014, <https://znetwork.org/znetarticle/a-tale-of-two-cities/>.

¹²⁶² Sebastian Mallaby, *The Power Law: Venture Capital and the Making of the New Future* (New York, USA: Penguin Press, 2022), 11.

commonplace is the assumption that the tastes of elites today will be the tastes of everyone else tomorrow that it has been formulated as a rule—the Varian Rule, named after Google’s former chief economist Hal Varian. The rule is based on the following quote by Varian in an article he wrote for *Foreign Policy* magazine: “A simple way to forecast the future is to look at what rich people have today; middle-income people will have something equivalent in 10 years, and poor people will have it in an additional decade.”¹²⁶³ While the specifics of this claim may or may not be accurate, it is more than mere rhetoric—approaching lack-fulfillment in this way has become a strategy for VC-backed firms to achieve at scale.¹²⁶⁴ Tesla, for example, followed this growth model explicitly, beginning with an extremely expensive prototype model (the Roadster) for high-wealth consumers and technology enthusiasts, using the money and credibility gained from that to build a high-end sedan (the Model S) for upper middle-class consumers, then using the money and credibility from that to build a more accessible and affordable (yet still expensive) middle-class option (the Model 3).¹²⁶⁵ Put in perspective, this is precisely the model of VC-backed growth outlined in the last

¹²⁶³ Hal Varian, “Micromultinationals Will Run the World,” *Foreign Policy*, August 15, 2011, <https://foreignpolicy.com/2011/08/15/micromultinationals-will-run-the-world/>.

¹²⁶⁴ Marx, characteristically, got there first in identifying this phenomenon: “the production of *relative surplus value* ... requires the production of new consumption: requires that the consuming circle within circulation expands as did the productive circle previously. Firstly quantitative expansion of existing consumption; secondly: creation of new needs by propagating existing ones in a wide circle; *thirdly*: production of *new* needs and discovery and creation of new use values.” Karl Marx, *Grundrisse: Foundations of the Critique of Political Economy*, trans. Martin Nicolaus (London, UK: Penguin Books, 1973), 408.

¹²⁶⁵ For some VCs, this approach is an ethical and moral imperative justifying their own vocation. As Marc Andreessen once wrote in a (now deleted) Tweet dated June 4, 2014: “Opposing tech innovation is punishing the poor by slowing the process by which they get things previously only affordable to the rich.” Quoted in Wendy Liu, *Abolish Silicon Valley: How to Liberate Technology from Capitalism* (London, UK: Repeater Books, 2020), 1.

chapter: monopolize a small market segment (in this case high wealth customers), and then spread *from that monopoly position*, into adjacent space.¹²⁶⁶ Echoing the productivist view mentioned above, this example demonstrates that, on the one hand, price is a motivating factor for the consumption of goods, and on the other that production can produce its own consumption *desires*.¹²⁶⁷

This being said, the overarching motivation for any VC-backed venture is to match the problem, framed in as general terms as possible (e.g., with Tesla this would be the environmental problem of gasoline cars, climate change, and so on) with a product-based solution—with a product that can finally *really* solve the problem, unlike previous efforts (this is often the tagline of disruption, or antiestablishmentarianism—for a company like Tesla, the target would be either attempts to build gasoline-powered fuel efficient vehicles, or vehicles with diesel engines). A good capitalist, of course, would never even attempt to solve a problem once and for all, otherwise they would be quickly out of business. Products, as has been noted before, must be iterated, upgraded, modified, replaced. And putting aside whether a capitalist *would* ever solve a problem once and for all lies the question of whether capital *could* (given its motivations and

¹²⁶⁶ This, it may be recalled, is the basic argument in Geoffrey A. Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers* (New York, NY: Harper Business, 2014).

¹²⁶⁷ It may be assumed that I am here invoking Say's Law which Marx is at pains to demonstrate as false. According to Say's Law supply produces its own (effective) demand. This argument, however, depends on demand being actionable on the basis of incomes received from wages received from production of the object in the first place. My argument is rather that production (supply, fulfillment) produces its own *desire*—that is, a sense of lack that is shared among a social group at large. One of the major innovations invoked by VC-backed innovation is to minimize or negate the requirement that demand be “effective.” This argument will be taken up and explained later in the chapter. See Karl Marx, *Capital: A Critique of Political Economy: Volume One*, trans. Ben Fowkes (London, UK: Penguin Books, 1976), 210.

demands) fulfill a lack definitively, once and for all. In any case, by framing products around the problem rather than the solution, a magnificent sleight of hand is achieved: a general or abstract problem has been met by specific, concrete solution. Lack is not simply met by fulfillment, but by HC's conceptualization of fulfillment: the product. And surreptitiously, the fulfillment of lack has become mediated by market exchange (MS-MSh) and ultimately capital (G-E'-C-M').

The productivist bias demonstrated by VC along with its role in mediating general problems with particular solutions is not *unique* to VC, but is exacerbated by VC given its strong emphasis on product *novelty* (i.e., on producing under conditions of uncertainty). Marx, in fact, outlined this phenomenon as a feature of early industrial capitalism. It is worthwhile quoting him at length:

“[P]roduction, for its part, correspondingly (1) furbishes the material and the object for consumption. Consumption without an object is not consumption; therefore, in this respect, production creates, produces consumption. (2) But the object is not the only thing which production creates for consumption. Production also gives consumption its specificity, its character, its finish. Just as consumption gave the product its finish as product, so does production give finish to consumption. *Firstly*, the object is not an object in general, but a specific object which must be consumed in a specific manner, to be mediated in its turn by production itself. Hunger is hunger, but the hunger gratified by cooked meat eaten with a knife and fork is a different hunger for that which bolts down raw meat with the aid of hand, nail and tooth. Production thus produces not only the object but also the manner of consumption, not only objectively but also subjectively. Production thus creates the consumer. (3) Production not only supplies a material for the need, but it also supplies a need for the material. ... The need which consumption feels for the object is created

by the perception of it ... Production thus not only creates an object for the subject, but also a subject for the object. Thus production produces consumption (1) by creating the material for it; (2) by determining the manner of consumption; and (3) by creating the products, initially posited by it as objects, in the form of a need felt by the consumer. It thus produces the object of consumption, the manner of consumption and the motive of consumption. Consumption likewise produces the producer's *inclination* by beckoning to him as an aim-determining need.”¹²⁶⁸

This remarkable statement makes several points pertinent to the topic at hand. First, translated into the language of my own model, it is fulfillment (production, the product) itself that produces lack-fulfillment (consumption, the market). Thus, even if the market is a precondition, the ability to produce such that production produces a market suggests that production-fulfillment is alone enough to instigate growth towards product-market fit. Second, fulfillment creates the material substrate for lack-fulfillment which need not be entirely material (hunger is material, the desire for cooked meat eaten with a knife and fork is not). That is, as discussed in the previous chapter, social attitudes, values, beliefs and desires are an (or the) ideal-symbolic means of penetrating material life. Third, these desires are based on *perception*, and in creating the perception that *this specific product* will satisfy a given desire (i.e., lack) what is being produced is not merely the product, but the consuming subject (we shall return to this point). Finally, it is the possibility of lack-fulfillment that motivates the producer to produce in the first place, thus initiating the process. *Ex nihilo*, the (v)entrepreneur

¹²⁶⁸ Marx, *Grundrisse: Foundations of the Critique of Political Economy*, 92.

may produce scarcity (lack) out of abundance and desire (unfulfilled lack) out of an otherwise fulfilled existence. In the context of VC, when all that is often required to initiate the process is an idea, this ordering of events finds its apex. By simply postulating (i.e., pitching) that production-fulfillment can induce all other elements, a (v)entrepreneur can obtain the capital to make production-fulfillment a reality, thus producing the desire that should intuitively and logically precede it.

Fulfillment First

A general theme of the discussion so far, then, is that while desire (lack) is a necessary precondition for fulfillment, the VC process nevertheless encourages and pursues a fulfillment first approach. Whether the target for fulfillment, a consuming social subject, desires (or will desire) this fulfillment is always, of course, in question, and this is why VC is sometimes referred to as risk capital. William Janeway frames it this way: first, there is the technical risk—“when you plug it in, does it light up?” But there is also market risk—if it lights up, does anyone care? Janeway points out that biotech startups have lower market risk, despite the higher technical risk. This is because biotech tends to target real and not metaphorical “painkillers.” MS is thus a certainty, even though Product-HC-Fulfillment is not. Conversely, software startups face relatively low technical risk and much higher market risk.¹²⁶⁹

¹²⁶⁹ William H. Janeway, *Doing Capitalism in the Innovation Economy*, Second (Cambridge, UK: Cambridge University Press, 2018), 57.

The challenge, then, with a fulfillment first approach is how to minimize or eradicate market risk. One path, it seems, would be to ensure the problem exists in society (regardless of whether society “knows” it). As Paul Graham puts it: “look at stuff people use now that's broken.”¹²⁷⁰ But then again, who decides that something is broken? It is one thing to say that we have a health crisis—e.g., a lack of therapeutics to treat certain types of cancer—but it is entirely different to say, as Graham does, that romantic intimacy is broken (i.e., dating sites, dating services).¹²⁷¹ The latter is arguably a more subjective assessment than the latter.

A second path to eradicating market risk is by generating excitement around the object of fulfillment (e.g., the technology), such that present conditions appear to be lacking. That is, using the future against the present and past. Here is where VC comes into its own. Marc Andreessen’s recent “Techno-Optimist Manifesto” is but one example.¹²⁷² This approach requires that the horizon of possibility be expanded. If it is

¹²⁷⁰ Paul Graham, “Ideas for Startups,” *Paul Graham* (blog), October 2005, <https://paulgraham.com/ideas.html>.

¹²⁷¹ The question we might be asking, of course, is whether the problem with romantic intimacy—if it exists—has little or nothing to do with dating services or sites (i.e., capitalist mediations of dating), but social life itself. With social life in general being increasingly mediated by digital capitalism, how can future generations be expected to be skilled at unmediated social interactions? Arguably, it is not that dating sites are broken and thus a problem in need of a solution, but that dating sites are breaking *us* to produce the problem in the first place. Notably, there is evidence even the supposed “solution,” the dating app, is a problem. In a 2022 Pew Survey, almost half of the respondents responded that they had explicitly negative experiences with dating apps, and only a small minority expressed unequivocally positive experiences. See <https://www.pewresearch.org/short-reads/2023/02/02/key-findings-about-online-dating-in-the-u-s/>; Graham.

¹²⁷² Andreessen’s manifesto is a remarkable statement in itself, however, as Albert Wenger (Union Square Ventures) writes: “When I started my blog over a decade ago I called myself a technology optimist ... I can’t see how it would be possible to be a venture capitalist as a pessimist.” How could anyone who gets stinking rich from technology be pessimistic about it? Albert Wenger, *The World After Capital* (Las Vegas, NV: Albert Wenger, 2024), 28; Marc Andreessen, “The Techno-Optimist Manifesto,” *Andreessen Horowitz* (blog), October 16, 2023, <https://a16z.com/the-techno-optimist-manifesto/>.

perceived that we *could* feasibly, in the near future, make otherwise impossible medical interventions, reduce climate impacts, improve transportation, reduce inequality, and so on, then the present and past suddenly appear inadequate, as somehow lesser than that techno-utopian vision of the future.

Peter Thiel, ever brazen, frames it this way: “Humans don’t decide what to build by making choices from some cosmic catalog of options given in advance; instead, by creating new technologies, we rewrite the plan of the world.”¹²⁷³ By virtue of their advanced technical know-how, HC resources—(v)entrepreneurial teams—combine with VCs (who, by virtue of SVC deal-flow and information cascades have privileged access to the latest trends in technical possibility) to rewrite the world in ways the general public cannot possibly imagine until it has already happened. But always in a way—as Thiel freely admits—that is historically contingent and based upon the world-defining decisions of VCs and (v)entrepreneurs. What might look like progress is in reality merely a vision of the future chosen and brought into being by a group of elite investors and (v)entrepreneurs. Technical know-how is thus used to produce a world in which certain problems appear both in need of, and capable of being solved. By reworlding worlds in this way, VC is able to deworld the pluriverse of worlds constituting spontaneous human experience, replacing them instead with what Arturo Escobar describes as the “One-World World”—the universal world, the world of

¹²⁷³ Peter Thiel and Blake Masters, *Zero to One: Notes on Startups, or How to Build the Future* (London, UK: Virgin Books, 2014), 2.

capital in which everything is made subject to the measure of equivalence (M, E).¹²⁷⁴ This, ultimately, is the meaning of reproduction and renewal as the essence of VC; renewal is the means to reproduction.

The very possibility of fulfillment enacted by technical know-how—the esoteric knowledge afforded to an elite minority—is thus able to pre-empt the lack that produces desire. In fact, if this were not so, if material fulfillment (i.e., production) did not precede lack, then the lack that is produced would be entirely immaterial.¹²⁷⁵ In cases where material lack is not a fact, fulfillment itself produces the lack by giving it a material object that any given potential consumer does not (yet) possess. In cases where material lack demonstrably exists, as may be the case in biotech for example, the *mode* of fulfillment helps to redefine the problem. Once mRNA vaccines exist, how we assess the problem of seasonal viruses, of vaccine distribution, and so forth, is qualitatively transformed. This is because even in cases where a material, objective *general* lack exists, this does not necessitate any *particular* mode of product-fulfillment.¹²⁷⁶

¹²⁷⁴ Arturo Escobar, *Designs for the Pluriverse* (Durham and London: Duke University Press, 2018), 66–68.

¹²⁷⁵ Gilles Deleuze and Felix Guattari, *Anti-Oedipus* (Minneapolis, MN: University of Minnesota Press, 1983), 25.

¹²⁷⁶ The advice given by business management books on innovation is that to find and capture new value, an entrepreneurial agent must avoid seeking solutions to existing problems, and must instead *redefine* existing problems as *new* problems. That is, to create a new market (i.e., a socially shared lack which your product will fulfill) problems have to be re-presented as *unsolved* problems; or, alternatively, in the case of disruption and antiestablishmentarianism, existing *solutions* have to be re-presented as problems. The identification of problems, then, is about re-*conceptualizing* problems. It is about the creation of a new conceptual framing for concrete material action such that the (v)entrepreneurial agents creating this new conceptual framing are positioned as superior in their ability to provide a solution *by virtue* of their ability to conceptualize the problem. W. Chan Kim and Renée Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*

The question confronting a VC looking to invest is thus reminiscent of a tagline to the 1989 drama-fantasy film *Field of Dreams*: if you build it, will they come? In fact, this is almost exactly the question early-stage VCs ask when deciding whether to invest: “will this product solve a fundamental need in the market (whether or not that need is known currently to customers)”?¹²⁷⁷ Framed so, this question reveals how an arbitrage opportunity underpins the VC investment process. If consumers don’t know they need something, then it is likely other producers won’t as well. In this case, a successful venture is far more likely to achieve a monopoly position in the market it produces (or renews in order to reproduce) as it will have little to no competition inhibiting this outcome.

What may inhibit this outcome, of course, is whether the act of fulfillment will demonstrate (by producing or revealing) the lack necessary to provoke consumers into seeking fulfillment. The value of taking this risk is that by virtue of moving first the object of fulfillment has a better chance of being positioned in the would-be consumer’s mind as *the* object of fulfillment. In the bestselling book *Positioning*, referred to as “The Most Influential Advertising Book Ever Written,” the authors—inadvertently echoing Marx—lay out the rationale behind this strategy. The goal, they note, is not to position the product of fulfillment in the consumer’s mind, but to position the consumer’s mind in relation to the product, and the most effective way to do this is to

(Massachusetts, USA: Harvard Business Review Press, 2015), 255; Deleuze and Guattari, *Anti-Oedipus*, 16.

¹²⁷⁷ Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 48.

be *first*.¹²⁷⁸ Unpacking this claim, we can see that not only is the goal to be first in producing a material object (the fulfillment-product), but to be first in positioning that material object in ideational space, a goal that I have argued is achieved by positioning the product of fulfillment in terms of a general, socially shared problem (i.e., lack).

II. REPRESENTATIONS OF LEGITIMATION

"Historically all the returns in venture capital had been concentrated in a tiny number of firms and consistently by a small number of the same firms. Of the more than eight hundred venture capital firms of the day, only about six had delivered great returns for their investors. As we dug deeper, we uncovered an excellent reason for this: the best entrepreneurs will only work with the best venture capital firms"¹²⁷⁹

Ben Horowitz, *The Hard Things about Hard Things*, p.267

"[R]eputation is the magnet that brings opportunities to you time and time again."¹²⁸⁰

Fred Wilson, quoted in *A Dozen Lessons for Entrepreneurs*, p.302

¹²⁷⁸ "Positioning is an organized system for finding windows into the mind ... the easy way to get into a person's mind is to be first." "The first thing you need to 'fix your message indelibly in the mind' is not a message at all. It's a mind. An innocent mind. A mind that has not been burnished by someone else's brand." "Al Ries and Jack Trout, *Positioning: The Battle for Your Mind* (New York, NY: McGraw-Hill, 2001), 3, 21–22.

¹²⁷⁹ Ben Horowitz, *The Hard Things About Hard Things* (New York, NY: Harper Business, 2014), 267.

¹²⁸⁰ Tren Griffin, *A Dozen Lessons for Entrepreneurs* (Columbia University Press, 2017), 302, <https://doi.org/10.7312/grifl8482>.

Reputation and Trust

The authors of *Positioning* argue that anything, *including firms and people*, can be positioned, provided you have the money.¹²⁸¹ The concept of positioning thus offers a framework of analysis with which to decode the VC-Entrepreneur-Society relationship, composed as it is of people, firms, and products. In general terms, positioning helps us to consider how VCs, via the positioning of VC firms using LP money, position themselves in the minds of (v)entrepreneurs seeking capital for growth: they present themselves as the (v)entrepreneur's best chance of positioning *themselves* (as individuals, firms, and products) in the minds of consumers.

As already noted, the easiest method of positioning is to be first—first to market, first to come to mind—and this takes capital. But it is not merely about financial capital. When it comes to positioning, cultural and social capital can be just as, if not more, important. This is because the basic function of social and cultural capital is to project reputation and trustworthiness both within and outside of a social field. In the context of VC, I have described this as SVC (Chapters 3a and 3b). In this regard, reputation may be understood as a form of stored (financial, social, and cultural) capital.¹²⁸² A VC firm that has a reputation for funding successful entrepreneurs is

¹²⁸¹ “You can position anything. A person, a product, a politician. Even a company.” “It takes money to build a share of mind. It takes money to *establish* a position. It takes money to hold a position once you’ve *established* it.” (emphases added). Ries and Trout, *Positioning: The Battle for Your Mind*, 159, 223.

¹²⁸² Trust follows from reputation, but also, when reproduced, acts to amplify reputation. The two feed off one another: a firm or (v)entrepreneur with a positive reputation comes to be seen as trustworthy, and that trustworthiness becomes part of their reputation. Crucially, each side sustains the other even when one component is found lacking. Thus Kleiner Perkins, as a result of their historical reputation for investments in firms such as Genentech and Tandem were still trusted by LP investors and (v)entrepreneurs after their well-publicized and extremely costly failure promoting CleanTech 1.0

better positioned in a (v)entrepreneur's mind because of the accreditation—or cultural capital—it provides, just as a (v)entrepreneur backed by a reputable firm is better positioned in the minds of potential customers, suppliers, distributors, media outlets, and so on and thus has a greater stock of social (venture) capital.

What makes positioning via SVC so crucial to VC is the fact that for all the advantages a startup (including new “startup” VC firms) may have when held up against the capitalist establishment (e.g., the ability to engage in disruptive innovation without risking any pre-existing product line), their major disadvantage is a complete lack of reputation as a firm and product. To build or obtain a reputation, a startup has two options: (1) be successful and achieve something, or (2) be promoted and boosted by an agent already possessing reputational capital and trustworthiness. From an entrepreneur's perspective, this is the distinction between being (1) a ventrepreneur, and (2) an embedded entrepreneur. However, because (1) was always at some point in time (2), VC must be understood as the primary source of reputational capital—the first mover for most (v)entrepreneurs.¹²⁸³ That is, VC facilitates (2), in order to produce (1).¹²⁸⁴

failed and, theoretically, dented their reputation as a top-tier VC firm; Adam Neumann, who broke the trust of investors, public authorities, partners, and suppliers with his dubious accounting practices at WeWork, has maintained a reputation in SVC as a messianic like salesman and in 2022, long after his failure with WeWork, received the largest check a16z had ever issued—for yet another disruptive real estate firm called “Flow.”

¹²⁸³ Historically, of course, entrepreneurial success and the reputation resulting from that preceded venture capital. As described in Chapter 3b, however, it is precisely because these early successes—which produced financial, cultural, and social capital—were fed back into a new generation of entrepreneurial ventures (*as* financial, cultural, and social capital) that SVC (especially in Silicon Valley) emerged to produce the VC industry we know today.

¹²⁸⁴ This claim is backed by empirical data. Paul Gompers et al., for example, show that new (i.e., embedded) entrepreneurs are statistically more likely to succeed with “top tier” (i.e., highly reputable) VC firms, whereas for repeat entrepreneurs (i.e., ventrepreneurs) the status of the VC firm is an

VC, then, as we know, is a value-add service not merely with regard to the financial capital it provides to (v)entrepreneurs, but also with regard to reputation (and trustworthiness). Reputable VCs operating through reputable VC firms are able to signal startup quality when information asymmetry between private and public markets is high.¹²⁸⁵ By virtue of their reputation, they are able to encourage third parties (e.g., customers, HC, supply chains, distributors, and *other* VCs) to trust a relatively untested firm.¹²⁸⁶ When and where they are not able to bestow credibility directly, they are able to leverage their reputation and network (SVC) to give (v)entrepreneurs access to other credibility agents within the target market—by, for instance, connecting them with universities, think tanks, journalists, lobbyists, or public relations firms.¹²⁸⁷ Through these means, VC is able to bestow both reputation and *legitimacy* upon (v)entrepreneurs—a crucial factor in the “fulfillment first” model of social intervention. Patrick Collison, a co-founder of Stripe (one of the most valuable private firms in the world) admitted, for example, that obtaining funding from reputable VCs (Sequoia, Peter Thiel, and a16z) “was a signal that was not lost on the banks [i.e., consumers] we wanted to work with,” and that it was as a direct consequence of this association that

insignificant determinant of success. See Paul Gompers et al., “Skill vs. Luck in Entrepreneurship and Venture Capital: Evidence from Serial Entrepreneurs” (National Bureau of Economic Research, October 2006), 2. See also Chapter 1 of this dissertation.

¹²⁸⁵ Roger Sørheim, “Venture Capitalists as Smart Investors,” in *Handbook of Research on Venture Capital: Volume 2 A Globalizing Industry*, ed. Hans Landström and Colin Mason, vol. 2 (Cheltenham, UK: Edward Elgar Publishing, 2012), 160.

¹²⁸⁶ Dirk De Clercq and Sophie Manigart, “The Venture Capital Post-Investment Phase: Opening the Black Box of Involvement,” in *Handbook of Research on Venture Capital*, ed. Hans Landström, vol. 1 (Cheltenham, UK: Edward Elgar, 2007), 202.

¹²⁸⁷ Evan Burfield, *Regulatory Hacking: A Playbook for Startups* (New York, NY: Portfolio/Penguin, 2018), 159–60.

in their subsequent funding round (“for a pre-launch company from very untested entrepreneurs who had very few customers”) they were almost effortlessly able to raise one hundred million dollars. Stewart Butterfield of Slack, echoes this sentiment, stating “It’s hard to overestimate how much the perception of the quality of the VC firm you’re with matters—the signal it sends to other VCs, to potential employees, to customers, to the tech press. It’s like where you went to college.”¹²⁸⁸ VCs are able to position (v)entrepreneurs as future or present superstars, bestowing untested antiestablishment agents with establishment gravitas (thus manifesting the ambivalent formation I have described as anti/establishmentarianism).

Despite the mutual support offered by reputation and trust (see footnote 32), reputational capital must by necessity be continuously reproduced. For VC firms themselves, this entails successful exits and fund returns exceeding the PME, thus leading to successful fundraising for subsequent funds (M .. (X)-C-M’-M). For (v)entrepreneurs, this involves continuous growth (G) leading to higher valuations in subsequent rounds (E’), and ultimately to a more lucrative and desirable exit (ideally, of course, by IPO). When and where (v)entrepreneurs fail in this regard, VCs and VC firms are, they hope, protected by the portfolio and by the phenomenon known as “survivorship bias.” That is, while VC firms do not shy away from confessing the statistical failure rate of VC-backed investments,¹²⁸⁹ they also tend not to promote

¹²⁸⁸ Both quoted in Tad Friend, “The Mind of Marc Andreessen,” *The New Yorker*, May 11, 2015, <https://www.newyorker.com/magazine/2015/05/18/tomorrows-advance-man>.

¹²⁸⁹ Estimated on average at anywhere between 80 and 90 percent of portfolio investments.

stories pertaining to failed ventures. Published stories are typically success stories, which are also *survivor* stories.¹²⁹⁰

Because it is these success stories that comprise the field of visibility when it comes to VC reputation, and failures—despite their prevalence—are erased from view, it is in the interests of younger VC firms to seek success stories early and with spectacular aplomb, a phenomenon described by VC scholars as “grandstanding.”¹²⁹¹ There is significant historical justification for this approach. Many VC firms have built a reputation on the basis of a small handful of massively successful investments (in some cases just one success was enough, as was the case, for example, with Benchmark Capital’s investment in eBay, or Founder’s Fund’s investment in Facebook).¹²⁹² IPOs are thus unsurprisingly the most visible exit strategy, despite their relative rarity when compared to M&A exits (see Chapter 2). Success is a signal of reputation reduced to exit (because a single exit can, and often does, return well in excess of an entire fund), and thus to *financial* success. That is, financial capital returns lead to social and cultural capital returns which lead to future financial capital returns in a virtuous cycle of success.

¹²⁹⁰ William Bains, *Venture Capital and the European Biotechnology Industry* (Cheltenham, UK: Palgrave Macmillan, 2009), 37.

¹²⁹¹ Grandstanding is pursued in order to establish a reputation in time to raise a new (ideally) bigger fund for new rounds of investment. It is as such an demonstration of the importance of reputational (social and cultural) capital *in addition to* financial capital in VC as a practice. Paul A. Gompers, “Grandstanding in the Venture Capital Industry,” *Journal of Financial Economics* 42 (1996): 133–56.

¹²⁹² Peter Thiel’s investment in Facebook, through his firm Founder’s Fund, is particularly interesting given how many of his other (far bigger) investments failed. This prompted the entrepreneur Vivek Wadhwa to describe him to me as a “one trick pony.” Interview with Vivek Wadhwa, conducted April 13th, 2022.

It is as such the case that VC, unlike other investment asset classes such as mutual funds, operates in a field where success becomes a self-fulfilling prophecy. Success breeds success, in part because success is measured in financial terms while being a product and producer of reputational (i.e., social and cultural) capital.¹²⁹³ For the VC firm this is measured by exits and fund performance, for the (v)entrepreneur, by growth. In either case, though, venture growth (especially hypergrowth) attracts capital (financial, cultural, social), which in turn supports and promotes growth attracting even more capital.¹²⁹⁴ Capital (M/M'/E/E') is thus mutually entangled with growth (G) at least in part because of the reputational capital given to any given venture. VC, facilitating a fulfillment first approach, allows early growth *before* the competition, thus reducing growth “friction” that would otherwise result from competition with other growing firms operating in the same MS. VC permits a startup to be first into the consumer’s mind, in a prime “anchored” *position* rendering any latecomers to the MS at a disadvantage.¹²⁹⁵ VC as *reputational* capital is so crucial to this goal that Reid Hoffman advises startups to seek out funding *even if they don’t need*

¹²⁹³ The caveat to this is that success breeds success to become a self-fulfilling prophecy only up to and including the exit event. The success of any given venture beyond exit is both uncertain and irrelevant from a VC perspective. This is a consequence of contracted time and a large part of the basis of value in VC (see Chapter 6).

¹²⁹⁴ A VC firm that has delivered successful fund returns is also operating under a cycle of growth. In the general formula for VC this is expressed $M \dots C-M'-M$, which is essentially identical to the general formula for capital. The capital they attract as a result of growth is LP capital, whereas for (v)entrepreneurs the capital they attract as a result of growth is GP capital.

¹²⁹⁵ Al Ramadan et al., *Play Bigger: How Pirates, Dreamers, and Innovators Create and Dominate Markets* (New York, NY: Harper Business, 2016), 31.

it, because it sends a signal of reputation and trustworthiness out through the field of SVC and, by transitive association, out into society.¹²⁹⁶

The Genius Aesthetic

One of the most ingenious methods VC firms use to bestow reputation upon unreputed entrepreneurs is, as per the introductory vignette, to promote them as the best of us—as the geniuses, intellectuals, and leaders of our time. To impart reputational capital in this way demands that VCs are themselves presented as geniuses, intellectuals, and thought leaders, and in thus “vouching” for unknown entities one would presume *prima facie* that VCs put their own reputations on the line. Given the importance of reputation, this presents something of a puzzle. There are, however, at least four reasons why VCs act in this way.

First, despite the fact the society consumes products and not firms (e.g., Google, not Alphabet; Facebook, not Meta), the agents of firms producing and promoting these products must, if a fulfillment first approach is to be accepted, be presented as somehow superior to ordinary members of society in order to justify the leap of faith that consumers must often take when deciding to consume “novel” rather than established products. It is a notable consequence of this observation that today startup founders can be as much a part of any given firm’s brand as can the products themselves (e.g. Jack

¹²⁹⁶ Reid Hoffman, “Reiding into the Masters of Scale” (TechCrunch Disrupt, San Francisco, CA, 2021), 221.

Dorsey, Peter Thiel, Elon Musk, Adam Neumann, Mark Zuckerberg, etc.). Second, as above, survivorship bias typically obscures reputational failures from view, thus mitigating the risk of reputational damage (Sequoia's act of deleting their panegyric to Sam Bankman-Fried being notable in this regard). Third, when embedded entrepreneurs presented as geniuses, intellectuals, and leaders *do* succeed, it reinforces the sage-like genius of VCs, sustaining their own role at the top of the Stratified Venture Class (SVC), while further establishing their own reputation (which may in turn be used for a new crop of entrepreneurs). The reputational capital of VCs is thus *valorized* through investment in entrepreneurs. Finally, the reputational capital given to an embedded entrepreneur, when they graduate to ventreprenuer status, repays its initial investment by acting as stored capital. Like any other form of capital, it may be used as leverage, both in attracting a broad syndication of top-tier VCs (and, if the ventreprenuer is truly coveted, inducing the value-maximizing phenomenon of FOMO), and in allowing the ventreprenuer to negotiate a maximal capital injection.¹²⁹⁷ Because equity-based investment increases growth (G), which increases value (E'), VCs and ventrepreneurs both benefit from this scenario, which in turn further justifies all parties' status as geniuses, intellectuals, and leaders, increasing not only their financial, but also reputational (social and cultural) capital. And so the virtuous cycle repeats. But how is this achieved?

¹²⁹⁷ Typically, however, ventrepreneurs give away more equity during early financings. Having recognized the growth (G) effects of the equity (E/E') model, ventrepreneurs typically embrace equity financing far more wantonly. See Navas, Max. "Serial Entrepreneurs Raise More Capital, but at What Cost?" PitchBook, September 1, 2022.

The word “genius,” is in no short supply when it comes to the world of SVC. On the one hand, there are numerous books about Silicon Valley and VC-backed entrepreneurship that use the term to distinguish its agents from people of supposedly normal intellect, including *Valley of Genius*; *A Geography of Genius*; *Finding Genius: Venture Capital and the Future it is Betting On*; *Geniuses of Venture Capital*; *Market Your Genius*; *Mad Genius: A Manifesto for Entrepreneurs*; *The 46 Rules of Genius: An Innovator’s Guide to Creativity*, etc. On the other hand, there are awards and grants and events that promote the idea that recipients and attendees—self professed “geeks”—are geniuses, more than one of these being given some variation of the title “genius grant.”¹²⁹⁸

The problem is that genius is a contestable term. Firstly, genius as a concept is not any one thing. Even in the narrow context of conversations I have had with VCs and entrepreneurs, distinctions are often made between technical and business geniuses, or between genius measured in terms of IQ (intelligence quotient) versus EQ (emotional intelligence). Secondly, genius is arguably a historically contingent concept based upon what society is led to value at any given point in time. If the goal of fulfillment is to find solutions to problems that have been articulated and curated *for* us, problems that we are led to recognize as constituting our own social lack (and thus desire), then the things produced by and for society (reduced to the form of products in VC-backed entrepreneurship) become the very things that society values, and by

¹²⁹⁸ In addition to the well-known MacArthur Fellowship (Genius Grant), Peter Thiel’s VC firm Founder’s Fund once partnered with TechCrunch (a technology media outlet) to promote “Genius Grants for Geeks.” See Max Chafkin, *The Contrarian* (USA: Penguin Press, 2021), 160.

association the people who produce them become the measure of value in that society. Their ability to see what we will value, supposedly before we value it, thus gives credence to their sagacity. And yet, is Mark Zuckerberg a “genius” in the same way that Leonardo Da Vinci is? Is Elon Musk a genius akin to Aristotle? Most people, I believe, would instinctively say no—but why?

As a result of SVC and, in particular, of accumulated reputational capital, (v)entrepreneurs and VCs partake in what we might describe as a genius “aesthetic.” This is the result of careful positioning—both of the (v)entrepreneur and the VC promoting them. Patrick Baert, a social theorist, writes that positioning individuals in this way—as somehow apart and above from society—is a performative strategy that might be likened to actors performing on a stage. The positioning produces a “distance” between the “performer” on the stage and the audience passively consuming the act. By maintaining such “distance,” an aura is produced—an aura that through SVC is made manifest by the aesthetic (i.e., beautiful) appearance of admirable genius.¹²⁹⁹ It is by virtue of their heightened status as performative geniuses that these individuals—disproportionately of a narrow demographic—are presented, seemingly with justification, as visionaries. And yet, can we really compare Jack Dorsey “co-inventing” Twitter with Einstein’s “invention” of the General Theory of Relativity? Are they even commensurable? Moreover, visionaries of *what*? If we are using the term “visionary” to denote a preternatural ability to interpret reality and the order of things,

¹²⁹⁹ Patrick Baert and Marcus Morgan, “A Performative Framework for the Study of Intellectuals,” *European Journal of Social Theory* 21, no. 3 (August 1, 2018): 329, <https://doi.org/10.1177/1368431017690737>.

then Einstein obviously wins; but when we begin to speak about visionaries of the *future*, then it depends on whether the future foretold is the future that eventuates. In the context of SVC, this is everything, for as Thiel has already told us, the future is created through the interventions of technical know-how—the future is not preordained but written by those possessing the will, knowledge, and resources to realize it. The future is produced through a fulfillment first approach that, as a self-fulfilling prophecy, not only looks obvious in hindsight, but appears as the foresight of higher beings. This is the same Thiel, of course, who likes to remind us that “We wanted flying cars, instead we got 140 characters”¹³⁰⁰ and who, despite frequent attributions of genius for his work with PayPal and investment in Facebook, passed on the opportunity to invest in both Tesla and YouTube because he didn’t see the value.¹³⁰¹ But these are not the stories that get told; when such men (and they are most often men) succeed, they are proclaimed as geniuses, and yet when they fail, we do not call them quixotic idiots. What the public sees are successes, the survivor stories; and by being labeled visionaries, by being enriched with the backing of VCs who invested reputational capital in them, these same actors—be they VCs or entrepreneurs—are afforded more chances to fail (financially or morally) and more chances to bounce back. If only those excluded from the benefits of SVC were afforded the same privilege.¹³⁰²

¹³⁰⁰ Gideon Lewis-Kraus, “Are Flying Cars Finally Here?,” *The New Yorker*, April 15, 2024, <https://www.newyorker.com/magazine/2024/04/22/are-flying-cars-finally-here>.

¹³⁰¹ Chafkin, *The Contrarian*, 103, 120.

¹³⁰² As Emily Chang points out, women are rarely afforded the status of “visionary.” To this we might add almost any minority excluded (statistically) from SVC. In fact, women have perhaps the highest representation after white men. Emily Chang, *Brotopia: Breaking up the Boys’ Club of Silicon Valley* (New York, NY: Portfolio/Penguin, 2018), 156.

SVC is not merely a culture of conservative radicalism, then; it is also a culture of genius akin to what Karen Ho (writing about financiers on “Wall Street” as opposed to “Sand Hill Road”) refers to as a “culture of smartness.”¹³⁰³ Whereas in the culture of smartness, everything derives from the school you went to and the institutional status that bestows, in the culture of genius reputational capital, although bestowed by institutional VC, is concentrated in the founder *as* an individual; the founder as product.¹³⁰⁴ This is, in fact, the essence of the genius aesthetic. As Adrian Daub, a scholar of German literature at Stanford, writes in his book *What Tech Calls Thinking* (drawing upon the work of Hans-Georg Gadamer), the genius aesthetic (in what I have called SVC) describes the tendency to see the meaning of a product (an artwork, a book, a product) as autopoietic, as emerging from the mind of its creator *ex nihilo*, rather than as the product of a rich socio-historical field (not least of all as the product of a carefully renewed and reproduced culture such as SVC).¹³⁰⁵ The genius aesthetic brackets out of view the sociocultural bricolage and institutional support involved in producing objects (i.e., products) so that all that remains to be counted is the questionable appearance of individual brilliance. Just like the culture of smartness on Wall Street, however, the

¹³⁰³ Karen Ho, *Liquidated: An Ethnography of Wall Street* (Durham: Duke University Press, 2009), 39–41.

¹³⁰⁴ VC guidebooks for entrepreneurs make much of the importance of first-time founders being part of a founding team, as opposed to founding a startup alone (ventrepreneurs may be solo, this is rarely seen as an issue). This affords the VC more opportunities to identify a genius amongst the ranks. It is rare for founding *teams* to be recognized as geniuses, but in most cases where so-called genius emerges, they did not found the startup themselves, but as part of a team of otherwise anonymous (v)entrepreneurs.

¹³⁰⁵ Adrian Daub, *What Tech Calls Thinking*, FSG Originals x Logic (New York, USA: Farrar, Straus and Giroux, 2020), 70; See also, Hans-Georg Gadamer, *Truth and Method* (New York, NY: Crossroad Publishing, 1989), 55.

culture of genius manifests itself as raw cultural and social power—as the power to dictate an image of the future and to be lauded for bringing it into being. The genius aesthetic gives license for these so-called geniuses to enact their worldviews and serve as models not merely for economic change, but for a new social, cultural, and political new world order. It is this aesthetic of genius that disguises the coordinated class arrangements that bring it into being, and in doing so justifies or *legitimizes* the consensus component of SVC while combining its *eidos* with a spatial premise—the sentiment that the ideas of geniuses such as these should “rightly spread, colonize, and necessarily manifest,” and that *men such as these* should guide us into the future because they are simply better than us.¹³⁰⁶

The New Intellectuals

The genius aesthetic, then, does not limit itself to mere technical (technological, scientific, organizational) interventions, but extends into the social, cultural, and political sphere. In this regard, those designated as geniuses within the sphere of SVC may be characterized as present-day intellectuals. Intellectuals are described in sociological academic literature as individuals who are positioned *by others* to make interventions in public (i.e., social, cultural, and political) debates.¹³⁰⁷ These interventions may be enacted through (among other media) public talks, opinion pieces

¹³⁰⁶ Ho, *Liquidated*, 69.

¹³⁰⁷ Baert and Morgan, “A Performative Framework for the Study of Intellectuals,” 323.

(blogs, editorials), or articles engaging with contemporary issues of ideational significance. Intellectuals are framed as sages of the past, present, and future, and use this platform to make persuasive interventions into public life.¹³⁰⁸ For such actors, it is not enough to invent a technological application, or to make a scientific discovery—an intellectual, to *be* an intellectual, must position their ideas in a social, cultural, and political context; technical know-how is a mere means to social transformation (which in turn often has cultural or political implications), and intellectuals as *public* intellectuals thus become political actors.¹³⁰⁹

Just as genius is arguably not one thing, so too may the term intellectual be grouped into subcategories or aspects of a broader whole. Antonio Gramsci in *The Prison Notebooks* identifies two types of intellectuals, each of which relates to the renewal and reproduction of historical class relations.¹³¹⁰ The first of these, traditional *professional* intellectuals, take their position from historical class relations. That is, they are appended to existing class relations but placed in a privileged position. In the model of SVC I have presented, we may characterize traditional intellectuals as accumulated HC—technical geniuses, employees and entrepreneurs alike. Recall that

¹³⁰⁸ Perhaps the simplest example in this regard would be the repeat interventions social media CEOs such as Jack Dorsey, Mark Zuckerberg, and Elon Musk have made on the topic of freedom of speech—especially when facile conceptions of free speech (i.e., “anything goes”) are good for fomenting precisely the kind of hot tempers that keep social media users coming back to engage in acrimonious debates. Another might be Peter Thiel’s intervention in debates about DEI (he wrote a book called *The Diversity Myth* decrying the diversification of academic syllabi), or Sam Altman’s interventions on the topic of universal basic income in a post-AI, postemployment world (that his company OpenAI is leading the way to bring about).

¹³⁰⁹ In the words of one VC: “Just as the ruling elites at the end of the Agrarian Age came from land, the ruling elites today come from capital. They often don’t take up political roles themselves but rather have ways of influencing policy indirectly, exposing them to sell personal risk.” Wenger, *The World After Capital*, 43.

¹³¹⁰ See Gramsci, *Prison Notebooks*, 5–23.

the Stratified Venture Class aspect of SVC defines these class relations as both financial and social, as pertaining to both wealth and social status. While this group's technical interventions may speak to discrete public matters, they do not necessarily offer judgments about social life in general. Organic intellectuals, on the other hand, Gramsci's second type, act as the organizing elements of a social class, directing the ideas and ambitions of the class to which they belong. In the context of SVC, this would be principally VCs, but in addition any and all actors wedded to the VC process (i.e., to E-G-E') as a basic ethos of action.¹³¹¹ We might include in this category both outspoken VCs and entrepreneurs dominating the industry, e.g. Peter Thiel, Marc Andreessen, Jack Dorsey, Reid Hoffman, David Sacks, John Doerr, and so on. But also Adam Neumann (WeWork), Elizabeth Holmes, Sam Bankman-Fried, and others. And the latter offer a clue, for despite their failures, despite the reality of their unsubstantiated genius (only later revealed), it was through VC that their voices and status was amplified.

Thus it is VC, the master signifier of SVC, that provides the performative vanguard of genius aesthetic. Even a cursory survey of the voices attributed to Silicon Valley Culture (SVC) reveals that it is less often the (v)entrepreneurs in this environment who write books, blogs, or Op-Eds, but VCs.¹³¹² It is VCs who promote

¹³¹¹ In this regard I am framing any actor imprinted with the VC prioritization of growth through equity financing—growth as product—as being a luminary for the SVC class. While institutional VC is the locus of this approach, its imprint extends into many of the firms produced by its approach (as I have argued in previous chapters—see especially, Chapters 1 and 2).

¹³¹² Alongside well-known and widely distributed monographs such as John Doerr's *Measure What Matters* or Peter Thiel's *Zero to One*, Reid Hoffman's *Blitzscaling*, there are lesser-known offerings such as *Masters of Blockchain*, *Getting to Plan B*, *The World After Capital*, *The Monk and the Riddle*

the new industries and markets, who make arguments for discrete technical interventions to become broad socially transformative phenomena. Concomitant with the speculative logic of financial capital comprising one part of their vocation, these public interventions pay the dividend of being *known* in a field of apparent uncertainty,¹³¹³ of being a known entity—an investment that pays not merely financial dividends, but social, cultural, and political dividends too.

It is, however, crucial to acknowledge that while such interventions serve to make individuals visible as intellectuals, their individuality is part of the performance. In reality, SVC intellectuals, like any others, operate in, for, and through groups. It is the collective that truly intervenes in public debates—though always from a technical standpoint, with an air of techno-utopianism that can present itself as apolitical, or only incidentally political. These organic intellectuals are, says Gramsci, the class “strata” giving homogeneity and self-awareness to a group (e.g., SVC); they are more than the mere possessors of esoteric knowledge, technical know-how, and a keen intellect, they are the organizers of new social forms, new cultures, and (if necessary) the legal systems to institutionalize them (see Chapter 4).¹³¹⁴ They are the agents who create the conditions favorable to the expansion of their own class, SVC. It is the collective that benefits because such interventions create a cohesive collective identity, regardless of ideological heterogeneity (see Chapter 3b), one that is easily recognized amongst its

(Komisar), *The Entrepreneur's Weekly Nietzsche: A Book for Disrupters* (Dave Jilk and Brad Feld), *The Resilient Founder* (Mahendra Ramsinghani)

¹³¹³ Martijn Konings, *Capital and Time* (Stanford, California: Stanford University Press, 2018), 16.

¹³¹⁴ Gramsci, *Prison Notebooks*, 4.

“audience” and which, when combined with the survivorship bias narrative, not only reinforces their class identity and position at the top of the hierarchy, but also legitimizes the Stratified Venture Class in order to build a consensus (SVC) around their diverse worldviews commonly grounded in techno-utopian, equity-driven privilege. As a collective, they are able to police the boundaries of this identity, ensuring only the elect are admitted and hailed as geniuses worthy of public intellectual intervention.¹³¹⁵ By hailing its members as the best of us, and presenting this image to its audience, the public, not only do these members come to believe it of themselves (becoming subjects who self-identify as geniuses) but society, however begrudgingly, enjoins in this belief.

This image, however, of the genius or intellectual, requires constant reproduction and renewal. It is, as such, on the one hand historically grounded in archetypes, and on the other constantly evolving with the emergence of new “founder heroes.”¹³¹⁶ On the one hand, the new crop depends upon the archetypes of old, on the other, they become the archetypes for subsequent generations. In either case, the representation is intended to produce role models who may serve as the reproductive

¹³¹⁵ Marcos González Hernando and Patrick Baert, “Collectives of Intellectuals: Their Cohesiveness, Accountability, and Who Can Speak on Their Behalf,” *The Sociological Review* 68, no. 5 (September 1, 2020): 1143–58, <https://doi.org/10.1177/0038026119900119>.

¹³¹⁶ Note the allusion of the word “founder,” a common term for startup entrepreneurs, to political establishment making, particularly in the US context (e.g. the Founding Fathers, or what US nationals often refer to as “our Founders”). Curiously, an anonymous Google search run in the US for the term “our founders” returns the Wikipedia page for the Founding Fathers of the United States as its top result and Sequoia Capital second. When the same query is run from outside the US (say, in the UK), Sequoia Capital is the top result.

agents of SVC as a coherent social formation.¹³¹⁷ These archetypes—be they Steve Jobs, Elon Musk, Jeff Bezos, Sam Altman, Peter Thiel, or whomever—act as nodal points of an ideological field that propagates reputational capital in a way that makes them appear as desirably imitable productive agents, just as these archetypes modeled themselves on archetypes of geniuses and intellectuals preceding them (e.g., Nikolai Tesla, Albert Einstein, J. Robert Oppenheimer, and so on). But again, the archetypes of intellectual genius, just like the new generations modeled upon them, are the products of a carefully curated image based on mythologies. Thiel, yet again, is unashamed to acknowledge this point, noting in his book *Zero to One* (in a subsection entitled “WHERE KINGS COME FROM”) that “Extreme founder figures are not new in human affairs. Classical mythology is full of them.”¹³¹⁸ What makes this statement particularly interesting is that Thiel chooses mythology over history as the locus of founding figures. History is replete with accounts of extreme founders, yet in the context Thiel is speaking, history does not carry value; for that one must adopt a mythos, a schematic narrative imbued with meaning that due to its symbolic rather than factual significance may be retold as eternal recurrence. Thus John Doerr becomes “magnetic and messianic,” or we are told of Sam Altman that “[y]ou could parachute him into an island full of cannibals and come back in 5 years and he'd be the king.”¹³¹⁹

¹³¹⁷ Scott Shane, *A General Theory of Entrepreneurship* (Cheltenham, UK: Edward Elgar Publishing, 2003), 158.

¹³¹⁸ Thiel and Masters, *Zero to One*, 180–81.

¹³¹⁹ Mallaby, *The Power Law*, 122; Paul Graham, “A Fundraising Survival Guide,” *Paul Graham* (blog), August 2008, <https://paulgraham.com/fundraising.html>.

Or, consider the following celebratory take on Elon Musk as presented in the VC-authored book *Regulatory Hacking: A Playbook for Startups*:

“[For] all of Elon Musk’s mind-bending breakthroughs ... his most impressive invention may be Elon Musk. Not the person, that is, but the persona. Not the man, but the myth and mystique that surrounds him. We don’t just think billionaire business tycoon, South-African genius, or Silicon Valley inventor...we think world saver, superhero, Iron Man. His most meaningful invention is that unique image that we have of Elon Musk, a narrative thread weaving through his entire career and stitching together each of his business ventures, because it’s the foundation that has made all of the others possible. And it didn’t happen by accident. Over the course of several decades, Musk has deliberately and audaciously cultivated the narrative that has now come to define him—that of a superhumanly genius inventor who’s using his hard-earned fortune to invent a future torn from the pages of science fiction books, a future that will be vastly better for individual citizens and for civilization as a whole ... He consistently talks less about the financial aims of his venture than about the societal challenges [i.e., general problems] they seek to solve ... What may set Musk apart, from a storytelling standpoint, is his uncanny ability to render far-fetched ideas in a way that’s totally plausible ... Suddenly, we’re not talking about *whether* we’re going to Mars. We have moved beyond that. We’re talking about how long it will take to get there ... he has moved us from *if* to *when* ... ‘Brand is just a perception, and perception will match reality over time’, Musk once said in an interview. ‘Sometimes it will be ahead, other times it will be behind. But brand is simply a collective impression some have about a product.’”¹³²⁰

¹³²⁰ Burfield, *Regulatory Hacking: A Playbook for Startups*, 282–85.

And yet it is worth remembering that Musk's first VC-backed firm was a boring internet app that no-one remembers and no longer exists (Zip2). It was only by using his cashed out equity capital and reputation from that exit that he was able to found X.com, and it was only by the brokering of VC Mike Moritz that X.com merged with Confinity to become PayPal, and it was only by means of VC-backed growth without profits that PayPal was insulated from the Dotcom crash and was able to growth hack its way to the monopolization of online payments and a life-changing series of exits¹³²¹ that Musk and his entrepreneurial co-founding partners would repeat over and again through SpaceX, Tesla, Twitter, Slide, Yammer, Palantir, YouTube, Yelp, LinkedIn, and so on.

The value that people such as Musk—ventrepreneur *par excellence*—embody is symbolic. Whatever the “distance” produced by this image of the genius intellectual, it is also the image of a role model—if not to be imitated or surpassed, then at least to be emulated. But what justifies this status truly? For every Musk, there is a Holmes, Neumann, Bankman-Fried. All held up as geniuses and intellectuals, but the latter of whom were revealed to be nothing but charlatans. Does genius, in the present milieu, have much basis beyond financial (i.e., business) success? Remarkably, a recent study has suggested that financial success may even correlate with *lower* cognitive ability.¹³²² It is, therefore, yet again survivorship bias that we must look to for answers. Both

¹³²¹ PayPal went public in early 2002 and was acquired by eBay later the same year.

¹³²² Marc Keuschnigg, Arnout van de Rijt, and Thijs Bol, “The Plateauing of Cognitive Ability among Top Earners,” *European Sociological Review* 39, no. 5 (October 1, 2023): 820–33, <https://doi.org/10.1093/esr/jcac076>.

historical and would-be archetypes are those who were able to articulate a vision for the future and successfully achieve them. But then, what justifies a business success as sufficient a credential for public intellectual intervention? One argument, put forward in the book *Play Bigger*, is that genius in this domain is synonymous with being a “category king.”¹³²³ Put in plain speak, they are not merely the creators of businesses, or even of business monopolies, but of *master* monopolies—of monopolies that define the social field on a grander scale than the monopolies of old. These are the agents of massive, global, social transformation. If not actual kings, then transnational princes for the twenty-first century.

Intellectual Interventions – Intellectualism in Practice

To create the distance necessary for the genius aesthetic and for the legitimation of intellectual intervention, especially given a fulfillment first approach, the aspirations and desires emerging from SVC must appear as somehow “other” to society in general, as of greater quality and insight; fulfillment must appear divergent from common sense and general opinion—only then may it adopt the semblance of novelty and radical insight. It is for this reason that in SVC circles much is made of the concept of so-called contrarian thinking (or “contrarianism”)—or, more specifically—of the ability to *act* upon and realize contrarian ideas.

¹³²³ Ramadan et al., *Play Bigger*, 11–12.

Peter Thiel (who has a biography written about him entitled *The Contrarian*) outlines the concept as follows: “‘Madness is rare in individuals—but in groups, parties, nations, and ages it is the rule,’ Nietzsche wrote (before he went mad). If you can identify a delusional popular belief, you can find what lies hidden behind it: the contrarian truth.”¹³²⁴ In its essence, then, contrarianism as it is used in SVC is simply “anti-paradigmatic” thinking.¹³²⁵ And yet, it is anti-paradigmatic thinking with the intention of producing a new paradigm, a new set of social norms, expectations, and obligations fueled by the interventions of scientific and techno-economic innovation.¹³²⁶ As such, contrarianism is but another manifestation of the attempt to avoid competition by changing the terms of the conversation, and to move quickly so as to monopolize the new terms of engagement.¹³²⁷

While the essence of contrarianism would appear to have its basis in thinking and acting differently, as a characteristic feature of SVC it becomes precisely its opposite upon closer inspection. Contrarianism is supposed to be about acting and thinking differently to the crowd, yet in the world of SVC it has become a cliché. That

¹³²⁴ A more cynical perspective of this idea is given by Deleuze and Guattari who in *Anti-Oedipus* write: “The old idiot wanted truth, but the new idiot wants to turn the absurd into the highest power of thought—in other words, to create.” It is notable that a great many of the books and blogs on entrepreneurship written by VCs argue that entrepreneurs are better off *not* being subject domain experts in the business field they are attempting to disrupt. Dilletantes are more likely to think outside of convention and thus to act as antiestablishment radical. Deleuze and Guattari, *Anti-Oedipus*, 62; Thiel and Masters, *Zero to One*, 12.

¹³²⁵ Paul Graham has suggested that people are too conservative because of their adherence to paradigms. Thus the idea of conservative radicalism introduced in Chapter 2 here becomes relevant again. Perhaps in place of anti-paradigmatic I might have written anti/paradigmatic. See Paul Graham, “Crazy New Ideas,” *Paul Graham* (blog), May 2021, <https://paulgraham.com/newideas.html>.

¹³²⁶ This ambivalence is of course but another expression of anti/establishmentarianism (Chapter 2).

¹³²⁷ See Chapter 4 on the identification and capture of new MS.

is, SVC is a world in which all its agents think differently *in the same way* (though in a way that does not align with society in general). The individual genius intellectual thus emerges from a field that is largely constituted by groupthink and consensus. It is not for nothing that a select few books have appeared time and again in this dissertation—*Blue Ocean Strategy*, *Crossing the Chasm*, *Zero to One*, *Play Bigger*, *etc.*—these books are used by practitioners as standard guides for contrarian thinking, and are passed on as texts of wisdom to subsequent generations of (v)entrepreneurs and VCs.¹³²⁸ Similarly, many profess Ayn Rand’s libertarian epic *Atlas Shrugged* as the basis of their moral code. Peter Thiel, for his part, demanded that everyone who worked at PayPal read both Neal Stephenson’s novel *Cryptonomicon* and *Atlas Shrugged*.¹³²⁹ In a similar vein, he makes much of the “type” he looked for when hiring at PayPal (that is, when acquiring HC). All of his employees—men, by the way—were required to be “different” in the same way.¹³³⁰ But it is not just Thiel. Time and again you hear these “contrarians” say that it is a cardinal sin for VCs to revert to pattern matching while they continue to revert to pattern matching in selecting the (v)entrepreneurs they fund and HC they recruit.¹³³¹ Mimetic desire is thus not just for the masses consuming

¹³²⁸ The prefaces or cover notes of several of these books admit as much.

¹³²⁹ Chafkin, *The Contrarian*, 52–53.

¹³³⁰ “From the outside, everyone should be different in your company in the same way.” Thiel and Masters, *Zero to One*, 122.

¹³³¹ Friend, “The Mind of Marc Andreessen”; Reid Hoffman and Chris Yeh, *Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies* (New York, NY: Currency [Penguin], 2018), 97–99; Tim Ferriss, *Tools of Titans* (New York, NY: Houghton Mifflin Harcourt, 2016), 360; Rob Reich, Mehran Sahami, and Jeremy M. Weinstein, *System Error: Where Big Tech Went Wrong and What We Can Do About It* (New York, NY: Harper Collins, 2021), 41.

the products of VC-backed entrepreneurship, but for VCs and (v)entrepreneurs too—it is just that the mimeticism of SVC is a mimeticism contrary to that of society.

Contrarian thought is, of course, nothing without contrarian action, but acting contrary to general or common sense constitutes an obvious risk in terms of consumer adoption, and it is in this regard that VC becomes a crucial component of contrarian intellectualism. Taking note of the structure of VC investments—portfolio diversification *across* markets with a hypergrowth or death approach underpinning the will to monopolization and an uncommon tolerance for failure—it becomes clear that contrarian thought and action is less a successful intervention strategy because it mobilizes individual genius, and more simply a product of audacity and capital combined with VC as a risk mitigating process.¹³³² Every investment a VC makes in one of its portfolio companies is made with the belief that it might be a world dominating monopoly. Without that potential a VC will not invest. And yet, that VC knows that eight to nine out of every ten investments will fail. The more audacious a contrarian wager, the more likely it is to fail; and yet, the more audacious the winner, the more likely it is to produce an entirely novel (and thus valuable) “category” (or paradigm) of social action.¹³³³ From a VC perspective failure is thus tolerable because the portfolio acts as insurance; from a (v)entrepreneur perspective, provided they have

¹³³² I am using the term “risk” here for ease of expression, however, in Chapter 6 I will complicate the notion of risk with a discussion of risk and uncertainty based on the work of Frank H. Knight.

¹³³³ These are known as “power law” outcomes and shall be discussed in more detail in Chapter 6.

stayed disciplined to the VC process, failure is tolerable because SVC is a repeat play game that benefits both them and the VC.¹³³⁴

Supporting my claim, Marc Andreessen agrees that few, if any, of the people held up as genius intellectuals really deserve this claim. They are, he says, just normal people.¹³³⁵ What makes them abnormal is the backing they receive from VC—the financial and reputational capital that encourages and insures against audacity. Consider, in Part I of this dissertation, the focus was largely on financial capital and its relation to time. Financial, equity-based capital “buys” time, it slows time down while intensifying it as contracting, contractual time. Through this relation, the financial capital provided by VC in tranches and rounds of funding produces a dialectical tension encouraging audacious pursuits. On the one hand, the embedded entrepreneur is forced to gamble hard in their pursuit of growth (G, which is, recall, the product from a VC perspective), taking risks to achieve these milestones that would otherwise be unpalatable. The alternative is that funding stops and the venture dies. On the other hand, this same financial capital, by slowing down the time to realization, allows audacity to be pursued with the end goal in mind, casting aside immediate results in the form of financial capital returns (i.e., realization as M'). Alex Karp, co-founder of Palantir with Peter Thiel, failed miserably as a social philosopher, arguably damaging his credentials as “genius”—and yet, he turned out to be an absolute master at

¹³³⁴ Statistics show that a significant majority of unicorn founders are entrepreneurs, often even with earlier ventures that were unsuccessful. It is the discipline, trust, and reputation earned from graduating the VC process that arguably makes the difference. See Tamaseb, *Super Founders*, 60–61.

¹³³⁵ Interviewed in Ferriss, *Tools of Titans*, 174.

fundraising (much like Sam Altman who has is frequently referred to as genius or “wunderkind”).¹³³⁶ In SVC, this is enough. Similarly, Paul Graham suggests that the genius of Silicon Valley founders is obvious because as automation technologies improve, (v)entrepreneurs are able to grow massive firms with fewer and fewer employees.¹³³⁷ What he fails to acknowledge is that such automation is a product of capital—of what Marx would refer to as dead labor, the products of earlier labor processes.

Financial VC is thus crucial, but only because it allows audacious action to be pursued in a way that is not possible for non-VC firms. Sidecar, for instance, a firm that most people have never heard of, were first to market in the ride-hailing business. They had the same idea and comparable technology to Uber and Lyft. What they did not have is vast sums of financial capital. By their own CEO’s admission, they were outcompeted in terms of capital and capital alone.¹³³⁸ Capital allowed Uber to operate at massive losses, incurring legal penalties everywhere they went, all the while accumulating MSh in the MS Sidecar had identified. Uber, led by genius intellectual Travis Kalanick, was, after all is said and done, simply more audacious in its pursuit of global market dominance. Kalanick was not a genius, though, he was a bulldozer. And while VCs such as Benchmark Capital tried for as long as they could stop the press from revealing him as morally corrupt and toxic, once it became clear they could no

¹³³⁶ Chafkin, *The Contrarian*, 115.

¹³³⁷ See <https://twitter.com/paulg/status/1600119268858744832?s=21&t=z8d8bXo6KvjQ1Bt0JOq-Bg>

¹³³⁸ Recall, the number one reason Startups purportedly fail (according to industry research) is that they run out of capital. See “Why Startups Fail: Top 12 Reasons | CBInsights”; Tamaseb, *Super Founders*, 159.

longer sustain his reputation and his audacious nonchalance to ethical norms became a liability rather than an asset, these same VCs, leveraging their term sheet endowed control privileges and suddenly animated to pursue a crusade of moral rectitude, began the process of removing him from power.¹³³⁹ It was, however, precisely those VCs who put him there and sustained him for so long. Audacity sells, it appears; or as VC Vinod Khosla would have it: in the world of SVC, arrogance and hubris are the necessary ingredients for imagining a future that's different (i.e., contrarian).¹³⁴⁰

But it is easier to be arrogant and hubristic when backed by the security of VC. And of course, believing you are a genius—a cut above the rabble—is also an asset. As research on self-perceptions of competence in entrepreneurship demonstrates, (v)entrepreneurs who believe themselves competent (e.g., geniuses) are more likely to see opportunity in risk.¹³⁴¹ Audacity is thus both an ingredient and product of the genius aesthetic. When it is successful and manages to deliver a future that's different—an innovated future—this reinforces not only the image of innovative *genius*, but of progress.¹³⁴² Moreover, it reinforces the genius aesthetic and the notion that SVC's agents are the vanguard of progress.

Reputational capital, backed by financial capital, is crucial then. However, while reputational capital is a component of cultural and social (venture) capital, it is

¹³³⁹ Mike Isaac, *Super Pumped: The Battle for Uber* (New York, NY: WW Norton & Company, 2019), 284.

¹³⁴⁰ Mallaby, *The Power Law*, 2.

¹³⁴¹ Norris Krueger Jr. and Peter R. Dickson, "How Believing in Ourselves Increases Risk Taking: Perceived Self-Efficacy and Opportunity Recognition," *Decision Sciences* 25, no. 3 (1994): 385, <https://doi.org/10.1111/j.1540-5915.1994.tb00810.x>.

¹³⁴² Krueger Jr. and Dickson, 398.

not reducible to either. The latter, which facilitate the former through institutional credentialing and social network distributions are also crucial in another way: they are the medium through which SVC operates spatially. While financial capital buys the (v)entrepreneur time to grow (before making a profit), cultural and social capital uses that time to position people, products, and firms spatially, allowing them to grow into a broad base of consumer minds (and thus MS).

As we saw in Chapter 3a and 3b, social (venture) capital also provides investment risk-reduction through informational cascades. Just as reputations are vouched for, and investment theses are tested through VC referrals and syndications, so too are these same informational cascades leveraged to obtain privileged access to market knowledge not otherwise available to the public (i.e., those excluded from SVC). This is a function of what I referred to in those chapters as power-knowledge-networks. VCs frequently admit their dependence on the market as a kind of supercomputer. Peter Thiel, for instance, invoking Friedrich Hayek and neoliberal orthodoxy, admits “the market knows far better than you ever could,” while Reid Hoffman, confessing that even sacred archetypes such as Steve Jobs didn’t always get it right, says he uses market feedback as a substitute for genius (or, I would argue, to produce its simulacrum).¹³⁴³ The fact is that VCs as privileged nodes of the SVC network have more privileged insight into market knowledge that matters. They know growth when they see it not because of some preternatural ability—although experience counts, no doubt—but because they know when other VCs are showing interest. They

¹³⁴³ Thiel and Masters, *Zero to One*, 97; Hoffman and Yeh, *Blitzscaling*, 210.

have superior deal flow as a result of historical successes, which in turn aid future successes, and this deal flow is what separates middling VCs and VC firms from top-tier firms. They are trained, as Doug Leone puts it, to have “Dumbo ears”; they form syndications to test their thinking in an example of groupthink; ultimately, they partake in what John Maynard Keynes once described as a beauty contest—they work on the basis not of what they know, but of what they think other people know (and desire).¹³⁴⁴

The question thus again arises: are supposedly contrarian VCs really immune to the forces of mimetic desire? The simple fact is that they need not be. With privileged information not available to those outside the network, mimetic desire is the very means by which value grows within the network. FOMO is not just real, it works. As Paul Graham admits, most VCs are momentum investors. They are no smarter than the rest of us, they are products of network signals.¹³⁴⁵ This is why VCs, like anyone else, are not immune to knowledge manipulation and are frequently able to be duped so spectacularly by charlatans such as Holmes, Neumann, and Bankman-Fried. The question, then, to be addressed in the next section and in Chapter 6, is rather how momentum alone can produce value—how mimetic desires can be anything more than simulacra. This is the true genius of VC: that an aesthetic of genius is enough to overcome any potential lack of substance.

¹³⁴⁴ Friend, “The Mind of Marc Andreessen”; Adi Ignatius and Marc Andreessen, “In Search of the Next Big Thing: An Interview with Marc Andreessen,” in *HBR’s 10 Must Reads on Entrepreneurship and Startups*, ed. Harvard Business Review, HBR’s Must Reads (Boston, Massachusetts: Harvard Business Review Press, 2018), 67; John Maynard Keynes, *The General Theory of Employment, Interest and Money* (Hertfordshire, UK: Wordsworth, 2017), 134–35.

¹³⁴⁵ Paul Graham, “The Hacker’s Guide to Investors,” *Paul Graham* (blog), April 2007, <https://paulgraham.com/guidetoinvestors.html>.

Thought Leadership

It is thus by virtue of a curated image of genius, repeated intellectual interventions, and the advantages of financial, social, and cultural capital, that the agents of SVC have become a new ruling class for the twenty-first century. They are the elect, a “fit people” worthy of inheriting the endless frontiers of capital and of leading the rest of us into the future.¹³⁴⁶ As some of the most influential members of contemporary *global* society, these wealthy, well-networked thought leaders have the power of deciding whether a new idea is to be opposed or spread widely. As such, VCs and (v)entrepreneurs are not merely visionaries; they are what Daron Acemoglu and Simon Johnson refer to as a “vision oligarchy”:

“[A] coterie of tech leaders with similar backgrounds, similar worldviews, similar passions and unfortunately similar blind spots. ... The group’s sway comes not from tanks and rockets but because it has access to the corridors of power and can influence public opinion. ... The vision oligarchy is so persuasive because it has had brilliant commercial success.”¹³⁴⁷

¹³⁴⁶ “[T]he reproduction of the dominant ideology is not simply repetition, simple reproduction. Is not even automatic. Rather it is the combat for the unification and *renewal* of prior ideological elements, which are disparate and contradictory within a unity conquered in and through the class struggle in opposition to prior forms and new antagonistic tendencies — is never over, has to be taken up again and again.” “The ruling ideology [in this case of SVC] is always the ideology of the ruling class.” Louis Althusser, *On the Reproduction of Capitalism*, trans. G.M. Goshgarian (London, UK: Verso, 2014), 219; Louis Althusser, “Ideology and Ideological State Apparatuses,” in *Mapping Ideology*, ed. Slavoj Žižek (London: Verso Books, 2012), 114.

¹³⁴⁷ Quoted by VC-scholar William Janeway on his blog. Janeway, speaking from first-hand experience, notes that Acemoglu and Johnson’s claim is a “profoundly relevant concern.” Janeway, Bill, “The Political Economy of Technology,” Bill Janeway, August 25, 2023, <https://www.billjaneway.com/the-political-economy-of-technology>.

VCS and (v)entrepreneurs frequently present themselves as thought leaders through social, corporate, and news media, further justifying their credentials as public intellectuals worthy of making intellectual—and not merely technical—interventions into public social, cultural, or political affairs. White papers, once the sole remit of government agencies, are today frequently published by VC-backed firms seeking legitimacy in the public sphere—especially when the success of an innovation depends upon massive, public social transformation (e.g., with regard to phasing out gasoline-powered vehicles or creating the legal framework for autonomous vehicles).¹³⁴⁸

These agents know full well that exposure is visibility and visibility equates to value, if for no other reason than hype and the FOMO—or mimetic desire—that follows from it. They are, by virtue of their “genius” status and presentation as public intellectuals, more likely to persuade others in the absence of evidence. Their claims hold weight, and thus value, because their reputation serves as a guarantee, it validates otherwise questionable claims about privately held knowledge.¹³⁴⁹ Their claims need no other basis than decree.¹³⁵⁰ The exercise of power in defining social interests and

¹³⁴⁸ Lucie Greene, *Silicon States: The Power and Politics of Big Tech and What It Means for Our Future* (Berkeley, CA: Counterpoint, 2018), 141.

¹³⁴⁹ Shane, *A General Theory of Entrepreneurship*, 92.

¹³⁵⁰ Says Gramsci, “What is measured is precisely the effectiveness, and the expansive and persuasive capacity, of the opinions of a few individuals, the active minorities, the élites, the avant-gardes, etc.—i.e. their rationality, historicity, or concrete functionality. Which means it is untrue that all individual opinions have ‘exactly’ equal weight. Ideas and opinions are not spontaneously ‘born’ in each individual brain: they have had a center of formation, of irradiation, of dissemination, or persuasion—a group of men or a single individual even, which has developed them and presented them in the political form of current reality.” Gramsci, *Prison Notebooks*, 192.

desires must be authoritarian, based even—says Thiel—on a system of monarchical order.¹³⁵¹ Thus, it is not for nothing that VCs are frequently referred to as kingmakers.

In returning to consider the fulfillment first approach that began this chapter, then, we are confronted with a reality in which, by careful design, we (the public) have allowed others to speak for us and to define our future. Are these people truly the best of us, or is this merely a reproduction of class power in the twenty-first century? This is not merely a question of frivolous consumer desire—it is the very function of power as defined by critical theorists such as Michel Foucault or prominent names of the Frankfurt School (e.g., Adorno, Horkheimer, Marcuse). It is the question of real versus false interests. Software developers working in and through SVC, for instance, are already trained to design products that can nudge us to form new, extrinsically defined interests, and to do this by diverting us *away* from rational thought by playing on our emotional states (including our fear response). Writes Nir Eyal: “the practice [i.e. software development and product design] should be ‘used to help nudge people to make better choices *as judged by themselves*.’”¹³⁵² If our rationality is being bypassed and our emotions triggered—all with the purpose of creating “pain” that can be addressed with a painkiller—how can these products be in our “real” interests? Moreover, given the hierarchical and stratified class basis of SVC, we are faced with a situation in which the people who optimize and design the world for the rest of are not

¹³⁵¹ Thiel and Masters, *Zero to One*, 188.

¹³⁵² Eyal is here drawing on a quote from economist Richard H. Thaler, legal scholar Cass R. Sunstein, and historian John P. Balz. See Eyal, *Hooked: How to Build Habit-Forming Products*, 12.

representative of us. They provide solutions for the privileged minority while presenting them as the necessary answer to problems faced by the masses.

These thought leaders are leading our thoughts in ways that may not be according to our interests. In following their decrees, society risks increasing the distance between the SVC elect and everyone else which further cements its aesthetic power.

Marc Andreessen once proclaimed that in the future there will be two kinds of jobs and people: “those who tell computers what to do, and those who get told by computers what to do.”¹³⁵³ It does not take much imagination to foresee where Andreessen will land in this stratified world, for his claim holds almost the same meaning as Althusser’s when he says, speaking of ideology, that “[s]ome people ... hold a *monopoly* on certain contents and forms of knowledge, and thus on a form of ‘know-how,’ while others (common laborers, unskilled and skilled workers) are ‘*penned*’ in other contents and forms of know-how.”¹³⁵⁴

In speaking for “us,” then, the agents of SVC are performing an act of lack *transference*, framing *their* desire as the desire (and will) of all others; *their* desire as the desire (and will) of the Other.¹³⁵⁵ It is in this way that the will of a narrow elect becomes a norm for social desire and thus the standard for wants and needs of society.

¹³⁵³ ABC News. “Jobs Fight: Haves vs. the Have-Nots.” ABC News, September 13, 2022. <https://abcnews.go.com/Business/jobs-fight-haves-nots/story?id=17231586>.

¹³⁵⁴ Althusser, *On the Reproduction of Capitalism*, 38.

¹³⁵⁵ By “Other” I mean the big Other referred to in scholarship on capitalism and psychoanalysis (see, for example, Todd McGowan, *Capitalism and Desire: The Psychic Cost of Free Markets* (New York: Columbia University Press, 2016). This “Other” is the supposed Other of society as a whole. By presuming that something is willed by the Other, we are presuming a social norm, something that we must also will in order to avoid deviance.

And yet, it is we, the non-SVC, that facilitate and nurture these elites by fulfilling their desires *en masse*, by enacting and thus realizing their social vision for the future; we submit to their framing of the problem, and tacitly agree to their proposed solution. By framing the problem for society, they are baiting society to adopt their solution. The problem is a general organizing category justifying social intervention; the solution is a particular product positioned first in the mind by virtue of careful curation. It is a well-established fact in innovation diffusion studies that individuals in society develop needs or wants *when they learn that something exists*. Change agents such as VCs and (v)entrepreneurs thus operate by pointing out the existence of new ideas. Once adoption begins and growth (G) begins to take effect, a self-fulfilling prophecy comes into effect, for research shows that the utility of an object increases in proportion to its growth of adoption.¹³⁵⁶ That is, the exchange value of an object of innovation actually promotes its use value. This is how Tesla was able to dominate EV markets (described above), and it is how, for instance, carbon dioxide removal markets are forecast to do the same. The elites adopt and the rest follow. As Carlota Perez puts it:

“The new style of living, just established by the *nouveaux riches*, begins to diffuse down from one social stratum to another in more ‘popular’ versions. These are the times when capitalism is identified with progress and the idea that it can achieve social justice becomes more credible.”¹³⁵⁷

¹³⁵⁶ “[T]he relative advantage of an innovation, as perceived by members of a social system is positively related to its rate of adoption.” Rogers, *Diffusion of Innovations*, 172, 233.

¹³⁵⁷ Carlota Perez, *Technological Revolutions and Financial Capital* (Cheltenham, UK: Edward Elgar Publishing, 2002), 5.

Thus from an image of genius and justified intellectual intervention, we arrive at the image of social progress. Of being transported by the best of us into a better future.

It is through this series of moves that the “solution” to any given, pre-defined problem becomes the “consensus solution,” even though the solution preceded the problem in the first place. This is the strategy from the very beginning. As the authors of *Play Bigger* have it, doing their best impression of political theorists: “The greatest power comes from the people proclaiming their own king. A self-determined king that isn't made by the category [i.e., problem] is a hollow despot destined to be overthrown at the first sign of weakness.”¹³⁵⁸ Better a substantive despot than a hollow one, it seems. As such, just as Escobar says, problem-solution statements are always political in that they define *for others* how the movement from ideas to material reality is to take place. In a very real political sense, the despotism of such acts lies in their capacity to determine the nature of social freedom and necessity. The “king” as he appears in SVC discourse is only barely a metaphor. After all, what else is a king, but a monopolist of power over the social sphere?

¹³⁵⁸ Ramadan et al., *Play Bigger*, 39.

III. IMAGINARY VALUE

Heroic Theater: Saving, Revolutionizing, and Democratizing the World

“Entrepreneurs have become the new heroes of the business world. In the same way that Robert McNamara and his fellow Ford Motor Company “Whiz Kids” elevated general managers to star status, figures like Mark Zuckerberg and Steve Jobs have made entrepreneurs the latest business icons. At Harvard Business School, where I advise the career development program, even students who plan to join blue chip firms and have no intention of ever launching start-ups would be insulted if someone told them they weren’t “entrepreneurial.”¹³⁵⁹

Timothy Butler, *Hiring an Entrepreneurial Leader*, p.1

“Today, the heroic figures are the disruptive and instantly wealthy innovators. Whereas once technologists brought with them countercultural visions of enhancing human capabilities, promoting liberty and equality, and spreading democracy, today the culture of Silicon Valley is about founder worship and the celebration of apolitical coders.”¹³⁶⁰

Robert Reich et al., *System Error*, p.xxiv

The argument so far has made the claim that an aesthetic of genius giving rise to intellectual status, sustained both through and within SVC, projects an appearance of

¹³⁵⁹ Timothy Butler and Marc Andreessen, “Hiring an Entrepreneurial Leader,” in *HBR’s 10 Must Reads on Entrepreneurship and Startups*, ed. Harvard Business Review, HBR’s Must Reads (Boston, Massachusetts: Harvard Business Review Press, 2018), 1.

¹³⁶⁰ Reich, Sahami, and Weinstein, *System Error: Where Big Tech Went Wrong and What We Can Do About It*, xxiv.

pre-eminence that serves to justify the class arrangements and public interventions of SVC agents. Whether positioned at the bottom of the Stratified Venture Class (the equity-owning engineers, scientists, managers, and so forth), in the middle (the embedded entrepreneurs, ventpreneurs, and non-VC investors), or at the top (the VCs and any other preferred shareholders), these actors stand above the rest of society and take on the semblance of greatness. However, while being a genius intellectual implies potential and gives license, it does not speak to action itself. When these qualities (ideas and action) are deployed and combined to produce the appearance of praxis, a new figure emerges: the *heroic* founder.

The hero, in distinction to the genius, is the character (or *persona*) who performs great acts—who is, in Schumpeter’s terms, responsible for “getting things done.”¹³⁶¹ The hero, moreover, *saves*. They do not do great things for themselves, but for the people and the world.

Unlike the hero in general, for whom genius is a useful but unnecessary condition, the *genius*-hero—the heroic founder—not only saves, but has the best ideas and saves the world (materially speaking) *through* those ideas. If genius bestows vision (i.e., foresight into possible future worlds), then heroism *acts* to ensure that future is redemptive. The hero-genius offers up a contrarian vision of the future—one that is a better, more universal and redemptive version of the world as it exists (especially when

¹³⁶¹ The question we should be asking is whether these actors really get things done at all. Or, when they do, whether these were things that actually needed doing, or if these things merely appeared necessary as a result of fulfillment be enacted to address a manufactured lack. Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition* (Harper Perennial, 2008), 132.

that world is comprised of a pluriversality of worlds, an anathema to capital)—then through supernatural will and resources drags the people into that future in order to save them from their own malaise. The genius-hero, so presented, is progress personified.¹³⁶²

Perhaps the most recognizable trope in this context is the heroic capitalist creator of Ayn Rand’s novels, especially as they appear in *Atlas Shrugged* and *The Fountainhead*. In the former, the narrative follows a group of heroic capitalist “creators” who withdraw from society in protest at being underappreciated for their heroic efforts to advance civilization (which Rand equates, with circular reasoning, to capitalist society). Civilization, they hypothesize, will collapse in the absence of the heroic founder’s courage, ability, and genius (Rand’s work finds an audience among entrepreneurs for a reason). As historian Raymond Craib describes it, “Rand’s appeal derived from the melodramatic simplicity she distilled out of a complex political world: the heroic creator versus the lazy and inferior masses who pose a danger to capitalism and freedom.”¹³⁶³ *Atlas Shrugged* is essentially an inversion of the leftist general strike which theorizes that workers as producers are the true creators of value in an economy. In Rand’s version, capitalists are the true creators of value—that is, just as left-wing versions of a general strike presume everything collapses without the worker, this right-wing libertarian version presumes everything depends on the capitalist. Or, to put it

¹³⁶² In an allusion to the theme of redemption by founder-saviors, Thiel’s VC firm, Founders Fund, once proclaimed on its website that “entrepreneurs who make it have a near-messianic attitude.” Eliot Brown and Maureen Farrell, *The Cult of We: WeWork, Adam Neumann, and the Great Startup Delusion* (New York, NY: Crown, 2021), 56.

¹³⁶³ Raymond B. Craib, *Adventure Capitalism: A History of Libertarian Exit, from the Era of Decolonization to the Digital Age* (Oakland, CA: PM Press, 2022), 31.

another way, Rand's capitalists have a tantrum and decide they will no longer contribute to a culture corrupted by socialist ideas that does not appreciate their heroic efforts to lead the dozy, lazy, and unproductive masses into a better future through their own heroism and maniacal self-interest (egoism, for Rand, is the highest moral virtue).¹³⁶⁴

In Rand's vision, it is not merely capitalists who count as the important idols, but anyone who does the important work to advance (capitalist) civilization, including the producers of concepts and ideas: philosophers. Given that Rand considered herself a philosopher, this inclusion should not surprise us; though of course, it is unlikely Marx or Plato would appear on her list of heroic figures. Rand's own philosophy, like many in SVC (when they are not professing themselves as Randian), has Nietzschean leanings.¹³⁶⁵ That is, it advocates the will to power as a moral virtue (even though Nietzsche challenged the concept of morality) and expounds a version of freedom that is reserved for the supposed best of us to reworld the world (and all worlds) according to their own selfish device.

¹³⁶⁴ Relevant here is a tale recounted by VC Scott Kapor: "VCs focus[] on the founder's leadership abilities ... whether this founder will be able to create a compelling story ... to attract great engineers, executives, sales and marketing people, etc. In the same vein the founder has to be able to attract customers ... and, eventually, other VCs ... When Marc [Andreessen] and Ben [Horowitz] first started Andreessen Horowitz, they described this founder leadership capability as 'egomaniacal.' Their theory ... was that to make the decision to be a founder ... an individual needed to be so confident in her abilities to succeed that she would border on being so self-absorbed as to be truly egomaniacal." Kapor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 47.

¹³⁶⁵ Heed, for example, the VC- and Entrepreneur-authored book *The Entrepreneur's Weekly Nietzsche*. Dave Jilk and Brad Feld, *The Entrepreneur's Weekly Nietzsche: A Book for Disruptors* (Lioncrest Publishing, 2021).

The heroic act, then, begins where genius potential ends: in the act of creation. But, just like the image of genius, the image of the hero must be instantiated as a symbol of recognizable individuality—a brand—whether that be a person, a product, or a firm.¹³⁶⁶ Philosophy becomes important in this regard not so much because of any material it might provide for ideological purpose (i.e., the way Rand employs it), but for its traditional role as “the art of forming, inventing, and fabricating *concepts*” (emphasis added)—a role that today, argue Deleuze and Guattari, is no longer fulfilled by philosophers, but by computer scientists, marketers, designers, and advertising executives.¹³⁶⁷ In the present milieu this quartet of actors has “seized hold of the word *concept* itself and said: ‘This is of our concern, we are the creative ones, we are the *ideas men!*’” But, say Deleuze and Guattari,

“here the concept has become the set of product displays (historical, scientific, artistic, sexual, pragmatic) and the event has become the exhibition that sets

¹³⁶⁶ So prevalent is the notion of the heroic founder, that one VC firm has even—in typical contrarian fashion—framed its business as being explicitly *anti* “hero founder” in order to combat the idea of individual heroic genius and intellect (while at the same time substituting this role for their product and firm, of course). Steven Rosenblatt, co-founder of Oceans Ventures is explicit about this aim, stating “[t]he world doesn’t need this hero founder that becomes the next Netflix special.” Oceans Ventures, he says, want to build multigenerational teams where founders work as a team. The reality, however, is that nearly all VC firms demand first time founders come in teams; it is just that they elevate one of those team members as the “face” of the venture. Jessica Mathews, “Ex-Foursquare President Steven Rosenblatt Lays out Plans for Oceans Ventures’ Second Seed-Stage Fund,” *Fortune: Term Sheet*, September 20, 2023,

https://links.newsletter.fortune.com/e/evib?_t=5c2d888702774d17aa3d0350287b6d73&_m=1b6d645f52e54b8b8f55e370d3e21014&_e=FAE245m2-deBWehkszsoA5fp_gzSCmY7LI50vZ1vxQZWNs2i72Daf8QqUesz77mOUs.

¹³⁶⁷ Entrepreneurs founding a startup are required to wear multiple hats until they grow and accumulate specialist HC. Founder of the entrepreneurial founder qualities most valued by VCs are (1) technical know-how, (2) marketing and sales skills, (3) intuitive, attractive, and simple design thinking, and (4) the ability to weave a compelling story (a lack-fulfillment narrative) to investors, partners, customers, and so forth. These three qualities map almost exactly to Deleuze and Guattari’s computer scientists, marketers, designers, and advertisers.

up various displays and the ‘exchange of ideas’ it is supposed to promote. The only events are exhibitions [i.e., performances], and the only concepts are products that can be sold.”¹³⁶⁸

Reminiscent of Thiel’s claim that the universe does not provide a “cosmic catalog of options given in advance,” Deleuze and Guattari argue that concepts neither pre-exist their creation nor have substance in the absence of their creator’s signature.¹³⁶⁹ For example, in philosophy, they say, we have Aristotle’s substance, Descartes’ cogito, Leibniz’s monad, and so on. In VC-backed entrepreneurship, on the other hand, we have categories (problems, lacks), brands (solutions, fulfillments), and founders: not just social media, but Zuckerberg’s Facebook, Facebook’s Instagram, Dorsey’s (now Musk’s) Twitter; not just EVs, but Musk’s Tesla, or (Robert) Scaringe’s Rivian; and so on. In each case, the signatures marking these concepts are heroic figures produced around a mythos. They are what Deleuze and Guattari refer to as “conceptual personae”—ideologizations of people (and occasionally, products or firms).¹³⁷⁰ Rather than relating to real subjects or objects (and remember, under US law a corporation is treated as a person), conceptual personae are normative *types* and operate on concepts in ways that propose an appropriate or desirable course of action and response.

¹³⁶⁸ Gilles Deleuze and Felix Guattari, *What Is Philosophy?* (New York, NY: Columbia University Press, 1994), 2, 10.

¹³⁶⁹ The curious parallel between these comments suggests that, for Thiel (and people influenced in the same way as him), technology stands in for—or actually *is*—the concept. Technology, like the concept, mediates reality—it mediates the relationship between humans and “nature” (including our own nature). This is one of the core theses presented in Donna Haraway’s “Cyborg Manifesto.” Donna Haraway, “A Cyborg Manifesto: Science, Technology, and Socialist-Feminism in the Late Twentieth Century,” in *Simians, Cyborgs, and Women: The Reinvention of Nature* (London: Free Association Books, 1991).

¹³⁷⁰ Deleuze and Guattari, *What Is Philosophy?*, 7.

Put in the language of VC-backed innovation, the created concept might be likened to the “category” which, as was discussed in the first section of this chapter, is oriented around and occasionally even reducible to “the problem” or idealized *lack*. This problem, just like categories and concepts, becomes an organizing principle—a master signifier—to guide social action:

“Potential customers, whether they are consumers or enterprise buyers, easily wind up overwhelmed by the solutions pitched to them. It becomes much easier--much clearer—for people to think primarily in terms of the problem they want to solve. In that sense, a problem is a category. A company that best frames a problem is the company that often comes to define and take the category. Put another way: Winning companies today market the problem, not just the solution.”¹³⁷¹

Another VC-authored guide for entrepreneurs entitled *From Impossible to Inevitable* lays this process out in more detail. According to the authors, if you want to identify a “niche” (i.e., a small market to monopolize) you have to go after popular pain: “So what if you do custom application development, analytics, mobile-enablement, or sales training? Those aren’t pains; they are solutions. What main *pain* do you solve? ... *the pain has to be common* ... you know that a pain is common when you see that people are willing to pay money to solve it, repeatedly.” Only once you have identified the “popular pain” can you introduce a “*believable* solution” (emphasis added). The final

¹³⁷¹ Ramadan et al., *Play Bigger*, 29.

step, they argue, is to leverage your “unique genius,” for “[t]o find or be found, to close deals, to avoid commoditization—you must be *different* or unique.”¹³⁷² Quite.

The true act of creation, then, pertains not to fulfillment, but lack—the concept or category around which social acts of production and consumption are to take place. Once the lack exists and is ready to be positioned in the minds of consumers, creating a *believable* solution becomes the task of marketing and advertising. The novelty, which is derived in truth from the framing of the problem, is transferred to the solution. In the words of one very prominent VC, Mike Moritz,

“When we help organize one of these companies at the beginning, it never looks like the world’s greatest idea. I think it’s the marketing and PR department that rewrites history and tells you that it was always the world’s greatest idea.”¹³⁷³

This is not a new strategy. As far back as 1957, journalist and social critic Vance Packard had argued in *The Hidden Persuaders* that the purpose of marketing and advertising was to shape the needs (meaning wants) of consumers in ways that can enable firms to make profit. Packard claimed that the goal was not to provide consumers with information so that they could *choose*, it was to manipulate them into

¹³⁷² Aaron Ross and Jason Lemkin, *From Impossible to Inevitable: How SaaS and Other Hyper-Growth Companies Create Predictable Revenue* (Hoboken, NJ: Wiley, 2019), 23–24.

¹³⁷³ Quoted in Griffin, *A Dozen Lessons for Entrepreneurs*, 230. Moritz, now retired, was for many years chairman of Sequoia Capital. His most famous early-stage investments—based on ideas he helped rewrite history to present as the world’s greatest ideas—include Apple, Cisco, Flex, Google, Kayak, PayPal, Yahoo!, YouTube, and Zappos.

designing things for which they really had no need.¹³⁷⁴ Returning to VC, once again Peter Thiel is there to tell us how it is: “All salesmen are *actors*: their priority is persuasion, not sincerity ... [Sales is] an orchestrated campaign to change surface appearances without changing underlying reality.”¹³⁷⁵

This final point, the changing of surface appearances, speaks directly to the argument so far about genius, intellect, and heroism, and yet it still remains to be seen precisely how marketing, sales, and advertising present fulfillment so that it appears “heroic.”

As creators of concepts—or of categories, as the authors of *Play Bigger* put it—these problem solvers or lack-fulfillers appear to us as the philosopher kings, now recast as “category kings,” for a contemporary era.¹³⁷⁶ They present themselves as *they who know best*; as the guardians of society who are to choose *for* us how social action is to be organized, because we are not worthy of the task. Philosophy, however, to the category kings of SVC is an inferior type of knowledge when held up against the instrumental (e.g., profitable) capacities of modern science and technology. Says Paul Graham, when asked what philosophy books he would recommend:

“I can't think of any I'd recommend. What I learned from trying to study philosophy is that the place to look is in other fields. If you understand math

¹³⁷⁴ Packard was writing from a critical standpoint. Nir Eyal, however, writing from an uncritical standpoint, today actually encourages software engineers to use techniques that bypass rationality and to play on irrational emotions and habits (Eyal suggests that habits are a substitute for marketing). Not much has changed in 50 years it seems. Vance Packard, *The Hidden Persuaders* (Ig Publishing, 2007); Eyal, *Hooked: How to Build Habit-Forming Products*, 3.

¹³⁷⁵ Thiel and Masters, *Zero to One*, 128.

¹³⁷⁶ Ramadan et al., *Play Bigger*, 11–12.

or history or aeronautical engineering very well, the most abstract of the things you know are what philosophy is supposed to be teaching. Books on philosophy per se are either highly technical stuff that doesn't matter much, or vague concatenations of abstractions their own authors didn't fully understand (e.g. Hegel). It can be interesting to study ancient philosophy, but more as a kind of accident report than to teach you anything useful.”¹³⁷⁷

Of course in reality the concept of the philosopher king has no modern analog and, like much of Plato's work, is a frequently misinterpreted concept.¹³⁷⁸ The concept of the philosopher king, addressed most prominently in Book V of Plato's *Republic*, refers to a particular kind of ruler—one who possesses elite knowledge and ability and is deemed uniquely (as a class) fit to organize life for the rest of society (which for Plato would have been coextensive with a city-state). But it is doubtful Plato would consider the agents of SVC worthy of the task. For Plato, what makes a person a philosopher is their ability to see beyond mere appearance, to understand the true essence within and behind things in the world. False philosophers—sophists and the like—do not see the truth within and behind things, but only the value of things as they appear to the observer.¹³⁷⁹ As agents in the business of product development, sales and marketing,

¹³⁷⁷ Paul Graham, “RAQs,” Paul Graham, accessed June 23, 2024, <https://paulgraham.com/raq.html>.

¹³⁷⁸ I would venture to claim that Graham has misunderstood Hegel rather than Hegel misunderstanding his own concepts. Though, to be fair, misunderstanding Hegel happens to the best of us.

¹³⁷⁹ The whole of Marx's critique in Capital Volume I could arguably be described as a critique of the appearance of things under relations of capital, and of the capitalist's obsession with the value of things in appearance—most pointedly, the commodity, but especially in its most abstract form: money (M). In my argument throughout this dissertation, I have attempted to show that equity (E) operates in a parallel (if subordinate or dependent) way to money (M) in the general formula for VC and is thus also an exemplar of value in appearance. Given that the entire material basis of SVC as I have presented it lies in the equity relation, understanding the agents of SVC as philosopher kings would be

advertising, and market creation, SVC's representatives—the category kings—are anything but philosophers, and hardly a suitable successor to the philosopher kings he had in mind. As the authors of *System Error*—a philosophy professor, a VC/ventrepreneur/computer science professor, and a political science professor (all Stanford affiliated)—frame it:

“When Plato imagined a set of philosopher kings, he had in mind those who had special training, understood truth, and possessed skill in government with the means of balancing the interest of groups across the state. When Aristotle described the best forms of government, he was particularly focused on empowering rulers who would work for the common good rather than their own interests alone. What does it mean to have particular skills in government? At least in the modern variants of this argument, the idea of expert rule has been to privilege a particular mindset—the scientific mindset—which involves analyzing facts, developing recommendations and making dispassionate choices consistent with evidence. When technologists think about expert rule, they have something else in mind: either they would empower technologists themselves, with their privileged knowledge of what is required for innovation to thrive as policy makers ... but the kind of expertise that technologists have is quite different from what Plato envisioned ... what they bring to expert rule is actually a set of values masquerading as expertise—values that emerge from the marriage of the optimization mindset and the profit motive”¹³⁸⁰

precisely in contradiction to Plato's notion of the philosopher. Perhaps we would do better to describe them as Sophist Kings. Of course, this is not how they would wish to appear or be positioned.

¹³⁸⁰ Reich, Sahami, and Weinstein, *System Error: Where Big Tech Went Wrong and What We Can Do About It*, 67–68.

What the authors do not mention is that aside from all the above objections, Plato was no fan of democracy. For Plato, democracy, like many other forms of rule, was destined to an eternal recurrence of decay and corruption culminating every time in rule by tyranny.¹³⁸¹ It is somewhat ironic, then, that a favored tagline used by SVC agents performing their guardian role—when they are not saving the world through ClimateTech (to mitigate the polluting effects of industrial capitalism), or SpaceTech (to save the species through interplanetary colonization,) or AgTech (to help feed a world living in artificial scarcity produced by corporate food production), or FinTech (to alleviate the inequality produced by capitalist exploitation), etc.—is the act of “democratizing” everything. PayPal declares it is going to “democratize financial services,” Reid Hoffman says he wants to “democratize entrepreneurship,” Glossier claim they are “giving voice through beauty to democratize an industry that has forever been top-down,” CoachHub is democratizing coaching, My Pocket Lawyer will democratize access to legal advice, Theranos was supposed to democratize healthcare, Squarespace wants to “democratize good design,” Kinhub wants to democratize employee wellness, LifeCouple will democratize solving relationship challenges, Birch will democratize credit card rewards, Dadi aims to democratize sperm storage, and the list goes on forever. Robinhood, a finance brokerage app that gained notoriety for essentially causing many of its customers to lose their life-savings by siding with the

¹³⁸¹ See Book VIII of Plato’s *Republic*.

hedge funds that make their technology possible, has actually trademarked the phrase “Democratize Finance for All.”¹³⁸²

This version of democratization, of course, yet another example of consensus thinking dressed as contrarian genius, has nothing to do with giving power to the people—if anything, it is about subjecting the (non-SVC) people to new forms of dependence and exploitation. Democratization produced through SVC means nothing more than making a product available to as wide an *audience* as possible. It is code for going regional or global, for maximizing the MS that might be converted into MSh. It is about offering the appearance of power and social freedom, while concealing a reality of domination and social necessity.

When these agents are not “democratizing” worlds by reducing them to a measure of equivalence (i.e., exchange value), they are revolutionizing worlds in order to take down the big bad establishment (which, of course, detracts from the reality of domination and social necessity they are really producing). Alongside big names like Uber (revolutionizing transportation), Tesla (revolutionizing the automotive industry), or Airbnb (revolutionizing hospitality), there is another endless list of relatively unknown VC-backed startups mimetically inclined to pursue the same tagline: Glowee

¹³⁸² See, for example: <https://publicpolicy.paypal-corp.com/issues/financial-participation-health>, <https://it.squarespace.com/press-coverage/2018/12/8/squarespace-new-brand-identity>, <https://robinhood.com/us/en/>, https://www.coachhub.com/news_media/coachhub-secures-80m-to-democratize-coaching, Reid Hoffman, “Let’s Democratize Entrepreneurism: Why the Masters of Scale Book Matters,” LinkedIn, July 8, 2021, <https://www.linkedin.com/pulse/lets-democratize-entrepreneurism-why-masters-scale-book-reid-hoffman/>; Lora Kelley, “Why Does Every Tech Company Want to ‘Democratize’ Something? – Mother Jones,” *Mother Jones*, December 2022, <https://www.motherjones.com/media/2022/10/democratize-tech-mission-conscious-capitalism/>; Sara Harrison, “Angry Nerd: Enough With Technology That ‘Democratizes’ Things!,” *Wired Magazine*, October 22, 2019, <https://www.wired.com/story/angry-nerd-enough-with-technology-that-democratizes-things/>.

(revolutionizing the light industry), Hormona (revolutionizing hormonal health through home testing and AI), Cerebra (revolutionizing emergency medicine), Zitti (revolutionizing food procurement), Glass (revolutionizing how governments buy through government marketplaces for small purchases without bids). So cliché has the notion of revolutionizing everything become that it was used in the HBO comedy satire *Silicon Valley*. In an episode entitled “Proof of Concept,” the protagonists attend the TechCrunch Disrupt conference¹³⁸³ and witness a series of startup pitches given to VCs in which the speakers proclaim they will be revolutionizing an industry or in some way making the world a better place. The entrepreneurs claim they will revolutionize “the way you report bugs on your mobile platform” or “location-based mobile news aggregation as you know it”; that “we’re making the world a better place” “through Paxos algorithms for consensus protocols,” “for software-defined data centers,” “for canonical data models to communicate between airports,” “through scalable fault tolerant distributed databases with asset transactions.”¹³⁸⁴ No one cares, of course, that much like Plato’s account of democracy, no short number of revolutions in history have led to little more than new (and occasionally more terrible) forms of tyranny.

In any case, by creating a concept-category, an ordering principle that *re*-orders social action (e.g., anti/establishmentarianism), the conceptual personae produce the

¹³⁸³ TechCrunch Disrupt is a real conference, held annually, that I have attended for my own research.

¹³⁸⁴ <https://www.hbo.com/silicon-valley/season-1/7-proof-of-concept>. The scene itself is available to view on YouTube: <https://www.youtube.com/watch?v=B8C5sjhss0>. Notably, many of the comments by viewers remark how realistic the comedy sketch is. Comments include ““this is so on point” “So good. So realistic” “I worked in San Francisco for years, and this is exactly how they talk.” “Actually happened in two conferences I was in, in 2015 and 2017” “What makes a good parody? When your jokes are essentially indistinguishable from the things your targets say.”

appearance of novelty, thus reaffirming their status as agents of progress. Whether what is created is truly novel or not should always, however, be in question—after all, while human needs are few (as Marx notes), our wants are infinite. Sales, marketing and advertising, then, as Thiel suggests in the quote above, operate directly in this space between needs (reality) and wants (surface appearance). As the authors of *Positioning* advise:

“To be successful today, you must touch base with reality. And the reality that counts is what's already in the prospects mind ... The basic approach of positioning is not to create something new and different. But to manipulate what's already up there in the mind.”¹³⁸⁵

Arguably, then, the process of creation is little more than the reproduction of needs fulfillment through the renewal of wants.

But why is this effective? What is it about novelty that entices would-be consumers? Thiel notes that ““The act of creation is singular, as is the moment of creation, and the result is something fresh and strange.”¹³⁸⁶ But are freshness and strangeness enough to produce a lack instigating unfulfilled desire? Frédéric Lordon, in his exploration of capitalist desire through the lens of Marx and Spinoza, offers us a clue:

¹³⁸⁵ Ries and Trout, *Positioning: The Battle for Your Mind*, 5.

¹³⁸⁶ Thiel and Masters, *Zero to One*, 1.

“[T]he new is the counterpart, in the world of objective things, of freedom in the world of subjective actions, and thus would like to pass for a kind of uncaused advent, an ineffable event that is an absolute exception to all known laws; a dazzling manifestation of freedom’s ability to break with the past as the ability to suspend absolutely the order of the world and make it bifurcate.”¹³⁸⁷

On this account, then, novelty, however rooted it may be in the world of appearance, produces an image of freedom in the subject. It appeals to consumers because it taps into modern society’s instincts towards freedom, autonomy, and liberal lifestyles. It is thus no accident that the agents of SVC, these “post-philosopher” category kings, organize themselves around a narrative of democratization and revolution; it fulfills a modern will to freedom while creating a narrative of necessity (i.e., a lack of freedom) about what has come before (hence why the narrative of disruption is so often framed around taking down establishment monopolists). The antiestablishment are the new capitalist freedom fighters saving society from the old capitalist establishment. And yet, if the argument has so far been accepted, then we know that act leads nowhere but into a system of anti/establishmentarianism. This is the case because freedom in novelty, in the creation of new wants, is not freedom at all—it is merely the appearance of freedom set atop a reality of social necessity.

¹³⁸⁷ Frédéric Lordon, *Willing Slaves of Capital: Spinoza and Marx on Desire* (London, UK: Verso, 2014), 136.

Symbolic Value

“Reputation is a form of stored value that increases the likelihood of using a service. Whether a buyer or seller, reputation makes users more likely to stick with whichever service they have invested their efforts in ...”¹³⁸⁸

Nir Eyal, *Hooked: How to Build Habit-Forming Products*, p.151

We have seen, then, that the agents of SVC—heroes, geniuses, intellectuals, and category kings—are bestowed through VC a reputation greatly exceeding their actual achievements in the present. Their power is, as such, symbolic. And this power gives rise to growth (G) which, as we know, is directly related to value (E/E'). By producing the image of novelty framed around a dialectic of lack and fulfillment, and the excitement that such an image engenders, the agents of SVC produce a hype grounded in social lack.

This hype, arguably little more than a version of FOMO, while grounded in symbolic rather than material substance, necessarily seeks material roots by tapping into human practice. It orders and reorders the way that consuming subjects perceive material life. It encroaches upon material life by framing that material life—once upon a time spontaneous and free from transactional relations—as problematic, as somehow lacking and insufficient, as desperately in need of redress through product fulfillment (first through market exchange, then through capitalist monopolization). In producing this sense of lack and desire for fulfillment, VC-backed innovators are, when

¹³⁸⁸ Eyal, *Hooked: How to Build Habit-Forming Products*, 151.

successful, able to do something remarkable. By re-inventing the problem (either by problematizing other solutions or heretofore unproblematic aspects of material life) VC-backed innovators do not simply replace or redirect existing consumption patterns, but *expand* consumption—they produce, to use the language of economics, *new* demand. They produce new wants out of the same field of necessity (i.e., from the same limited set of human needs), such that novelty creates not merely desire, but *new* desire—desire for novelty; a desire that applies at once for VCs seeking (v)entrepreneurs, (v)entrepreneurs seeking consumers, and for both when seeking HC.¹³⁸⁹

The production of lack, then, is but another description for the production of MS, just as fulfillment is the attempt to transform that MS into MSh. This transformation, the movement from abstract potential to concrete actuality, constitutes

¹³⁸⁹ Bill Gurley of Benchmark Capital, in a lengthy and thoughtful blog post about Uber, lays the economics of this phenomenon. He notes that the problem-solution pairing framed by Uber produces new use cases (i.e., new conceptions of utility, such as the convenience of app-based ordering, have produced a new basis of use-value) which allows it to not only *replace* taxi markets (and remember, for all the claims that taxi markets were monopolized, they were still fragmented by city and existed in the plural—Uber has consolidated these markets into one giant monopoly) but has expanded the market for private chauffeured transportation. Thus Uber has not merely produced a megamarket where taxis previously existed and dominated it, it has produced and dominated a megamarket *bigger* than all the taxi markets that previously existed. As Uber’s original CEO, Travis Kalanick once put it: “It’s not about the market that exists, it’s about the market we’re creating.” Looking at this phenomenon from an investor rather than a consumer standpoint, you can see the same dynamic unfolding in the way that rising valuations and returns on VC funds have produced new demand in relation to fundraising. The entrance of mutual funds—traditionally focused on public stock investments—into the world of VC investments has as a result of FOMO led to ever higher valuations thus further encouraging new investors to join the fray, investors traditionally associated with less risky valuation strategies than VC can offer. But when the valuations keep going up, where is the risk? Or so they think. See Bill Gurley, “How to Miss By a Mile: An Alternative Look at Uber’s Potential Market Size,” *Above the Crowd* (blog), July 11, 2014, <https://abovethecrowd.com/2014/07/11/how-to-miss-by-a-mile-an-alternative-look-at-ubers-potential-market-size/>; Evelyn M. Rusli, “Uber CEO Travis Kalanick: We’re Doubling Revenue Every Six Months,” *Wall Street Journal*, June 6, 2014, <https://www.wsj.com/articles/BL-DGB-35662>; Brown and Farrell, *Cult of We*, 82.

the process of striving towards product-market fit. Seen in its totality, it is the transition from pure hype—FOMO, or *socially shared* lack—into concrete growth (G) which, although by no means guaranteeing profit or even revenue in terms of a startup's balance sheet, nevertheless increases the value of the firm, which attracts more VC, which in turn expands growth (G). This is the basic model of “growth before profits” (see Chapter 1) that VC facilitates in violation of the general formula for capital. But now we can see *why* this detour works for capital, and why it is desirable: for all the while that VC delays realization (M'), it continues unceasingly to create *value* (E', which should eventually result in (X)-C-M', whereby M' is of a far greater magnitude than could otherwise be realized). Because money (M) is merely an *apparent* form of value, it is not necessary that value take the form of money at every moment of capitalist accumulation—provided, that is, that value (E in our model) continues to be constantly produced. As David Harvey has persuasively argued, capital is nothing but value in motion,¹³⁹⁰ and VC in no way violates this claim.

Nevertheless, the question of how new MS *expands* is not self-evidently explained. To understand why FOMO expands MS, we need to consider the notion of virality—how lack becomes socially shared, and how this socially shared lack itself *produces* socially shared lack. Returning to the argument of Chapter 4, an analysis of this question begins with the observation that the production of MS requires the homogenization of would-be consumers. That is, rather than targeting individuals

¹³⁹⁰ See Chapter 1 in David Harvey, *Marx, Capital, and the Madness of Economic Reason* (New York: Oxford University Press, 2018).

within a homogenous group, it is preferable to make a homogenous group out of individuals. Two ways that I suggested this might be achieved were through product-induced “nudges” and the logic of generalized social norms, both of which to varying degrees presume already existing consumption. However, to understand how consumption begins we need to revisit the notion of “the problem” which, as I have argued, is invariably based on a *generalization*. It is through this generalization that a broad social field (ideally an entire community or society) may be addressed,¹³⁹¹ ideally a social field greatly exceeding that which would otherwise be addressed by the object of fulfillment. It is in broad recognition of “the problem” that the recognition of lack-fulfillment may be perceived as obtaining in the product.

Of course, even if this argument is accepted, there is the question of how this supposed problem is articulated, presented, and distributed in the first place. This, unsurprisingly, is the task of advertising—the art of manipulating people into desiring things for which they have no real need. Crucial to the argument I am specifically making, however, is the observation made by critical sociologist Ruha Benjamin that it is never you, but people *like* you who are hailed by advertising.¹³⁹² This social articulation of lack, achieved by resituating the consuming subject, is one step towards an additional resituating within a field of proprietary lack-fulfillment. It begins not

¹³⁹¹ “Addressed” because we are speaking about market *space*.

¹³⁹² It is interesting that Benjamin chooses the word hailing to describe this mechanism, for the term is evocative of Althusser’s vignette of the subject of ideology being hailed by the law. Hailing is the ideological mechanism of self-recognition in subjection. Arguably, then, the hailing enacted by advertising is ideological in precisely this way: it permits the subject “hailed” to recognize themselves as a particular kind of subject, a subject with a social identity formed around a seemingly relatable “problem.” Ruha Benjamin, *Race After Technology* (Cambridge, UK: Polity Press, 2019), 153; Althusser, *On the Reproduction of Capitalism*, 190.

merely with the suggestion that “you that lack this thing”—although that is the first step—but that “you lack this thing that other people have.” Although it is the individual that is hailed by the advertisement, it is a sense of *social* lack and thus social *desire* that is produced. Moreover, while the message is that you lack this thing that the Other (i.e., society) has, this Other is in reality the other of VC-backed entrepreneurship.¹³⁹³ Lack does not find its genesis in society; SVC teaches society how and what to desire.

This revelation is no real revelation. As industry voices frequently admit and we all secretly (or not so secretly) know, advertising and marketing are nothing but lies upon lies. Often, especially in the world of disruption, they are simply lies peddled to disavow lies that already exist in a never-ending industry of capitalist spin.¹³⁹⁴ The goal of advertising, frequently expressed by such works as *The Strategy of Desire*, *Positioning*, and so forth, is to *seduce* you into consuming or using a product—that is, to avoid rational debate in favor of emotional triggers, to plant a seed of suggestion in the moment that a consumer will—crucially—feel immune to, will feel they can

¹³⁹³ For a discussion of the desire of the Other, see McGowan, *Capitalism and Desire*, 125, 133.

¹³⁹⁴ Earlier I related the notion of the category to a technological paradigm. The now familiar notion of a “paradigm shift” introduced by Thomas Kuhn in his classic work *The Structure of Scientific Revolutions* postulated not merely that new paradigms replace existing paradigms, but that new paradigms *disavow* or falsify previously existing paradigms. The major controversy of Kuhn’s work was that he claimed progress was not progressive, what we called progress was merely change. However, because this disavowal closes the door on prior paradigms, it produces a directionality of change in which reversal is rendered unpalatable at best and irreversible at worst. It is this path-dependent march “forward” that produces the image of progress. This, I would argue, applies as much to Kuhn’s theory of science as it does to anti/establishment claims of social and technological “progress.” Kuhn, Thomas S., *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1996); I take the notion of lies disavowing lies from #70 in Guy Debord, *Society of the Spectacle* (Black & Red, 2000).

control.¹³⁹⁵ The power of advertising, however, is rooted in the knowledge that this seed of suggestion will later invoke recognition in an unrelated context—that the lack-fulfillment presented by the advertisement will find utility in the would-be consumer’s everyday practices.¹³⁹⁶

As individuals begin to recognize the utility of the object and adopt it in ever greater volume, the sense of social lack increases. This occurs not merely because lack becomes more ubiquitous, more prevalent to everyday observation (e.g., as more of your neighbors have a Tesla, as more of your family are on Twitter, as more of your friends get vaccinated, as more of your competitors use Salesforce, etc.) but because growth of adoption serves as a guarantee of quality, thus increasing the perceived utility of a product. It is not merely that the consumer shares a sense of lack with other social parties, but amidst an unwieldy sea of fulfillment options the consumer relies on a consensus opinion about quality and utility of a given product fulfillment—the consumer weighs in on that consensus, further strengthening it. Growth thus produces growth, which encourages investment, and so on. The hype so produced is what creates the momentum that VCs love, attracting consumers, HC, and other investors. A virtuous cycle of hype made concrete.¹³⁹⁷

¹³⁹⁵ “Don’t play semantic games with the prospect. Advertising is not a debate. It’s a seduction.” Ries and Trout, *Positioning: The Battle for Your Mind*, 76; See also Ernest Dichter, *The Strategy of Desire* (Mansfield Center, CT: Martino Publishing, 2012).

¹³⁹⁶ Thiel and Masters, *Zero to One*, 127.

¹³⁹⁷ It is not for nothing that VCs themselves have in more recent times become obsessed with marketing and advertising as a complement to their own service offering. This trend, initiated by a16z, was initially received with distaste in the VC community, but almost every prominent firm has now followed suit as a16z’s rise into the top-tier of VC firms has demonstrated its strategic value. Margi Wennmachers, a16z’s chief PR spinner, is now so influential that she has been dubbed “the real queen of Silicon Valley.” VCs know that deal flow is everything and by engaging with advertising and

Hype(rstition)

It is this last point that is crucial. However much VC growth may be driven by hype, it must eventually be made concrete or symbolic value will collapse upon itself into nothingness. For VC, the only moment that needs to be concrete is the moment of exit; for a (v)entrepreneur, concreteness must be found in revenue and perhaps even eventually in profit. Up to and including exit, however, value is suspended in a special state of promise and possibility.

The philosopher Nick Land describes the situation in which hype produces its own material reality as “hyperstition” (a portmanteau of “hyper,” meaning over or above, and “superstition,” denoting irrational beliefs or practices).¹³⁹⁸ Land, perhaps the most influential philosophical voice of right-wing accelerationism, uses this

marketing not only are VC firms able to become the first firm positioned in *their* consumer’s mind (i.e. in the entrepreneur’s mind) but are able to sell their services with the value-add function of professional advertising and marketing expertise. Any savvy (v)entrepreneur will know that this expertise is the key to growth (G) which leads to investment (E’) and a successful exit ((X)-C-M’). So influential has this approach become that it has given rise to its own sub industry, with one entrepreneur reported to have made \$200 thousand a year through a side hustle writing tweets to generate hype for VCs and their portfolio firms. It is thus no surprise that celebrities drawn to VC (with no demonstrable investment skills) have found such great success—tennis player Serena Williams; actors Will Smith, Ryan Reynolds, Ashton Kutcher, Robert Downey Jr., and Leonardo Di Caprio; musicians Snoop Dogg, Jay-Z; and talk show host Oprah Winfrey, to name but a few. See Zoë Bernard, “Andreessen Horowitz Looks to Launch Opinion Publication as Its Media Ambition Grows,” *The Information*, January 19, 2021, <https://www.theinformation.com/articles/andreessen-horowitz-looks-to-launch-opinion-publication-as-its-media-ambition-grows>; Tomio Geron, “The 10-Year Power Shift in VC Land,” *Protocol*, January 30, 2021, <https://www.protocol.com/newsletters/pipeline/venture-capital-power-shift>.

¹³⁹⁸ “Hyperstition is a positive feedback circuit including culture as a component. It can be defined as the experimental (techno-)science of self-fulfilling prophecies. Superstitions are merely false beliefs, but hyperstitions – by their very existence as ideas – function causally to bring about their own reality. Capitalist economics is extremely sensitive to hyperstition, where confidence acts as an effective tonic, and inversely. The (fictional) idea of Cyberspace contributed to the influx of investment that rapidly converted it into a technosocial reality.” Delphi Carstens and Nick Land, “Hyperstition: An Introduction,” *Orphan Drift Archive* (blog), accessed June 26, 2024, <https://www.orphandriftarchive.com/articles/hyperstition-an-introduction/>.

concept to explain how performative action is able to produce the future that its performance predicts—that is, how performativity without performance can ultimately produce *concrete* performance; how ideal speculation can lead to material results. Accelerationism as a philosophical tradition is grounded in the historical materialist argument that capitalism has a trajectory and some version of telos. For left-wing accelerationists, this trajectory is towards ever-increasing contradiction and eventually systemic collapse. For right-wing accelerationists like Land, however, this trajectory leads to absolute capitalist domination—to a telos in which capitalism no longer faces an outside, where governance is capitalist, material life is capitalist, to where capitalism is the very end of reality.¹³⁹⁹ As my argument has been attempting to explain, VC is essentially a version—this version—of accelerationism operationalized, and Marc Andreessen’s “Techno-Optimist Manifesto” is a testament to this view.¹⁴⁰⁰

It is through hyperstition, however, that genius and intellect become heroic—in the act that, although initially nothing but performative, brings that which it performs into being. They *do* something, they act to bring about the future they predicted. And when successful, their genius and intellect is reaffirmed. The self-fulfilling prophecy is realized.¹⁴⁰¹ To give an example, PayPal produced its initial growth by giving each new

¹³⁹⁹ For a comprehensive take on accelerationism, see Robin Mackay and Armen Avanessian, eds., *#accelerate# the Accelerationist Reader* (Urbanomic, 2014).

¹⁴⁰⁰ In a separate blog post-cum-manifesto entitled “Why AI will save the world” Andreessen expresses the view that a failure to *accelerate* (not simply invest in or pursue, but explicitly accelerate) the AI rollout in society would be tantamount to a form of murder. Plus, of course, any failure to accelerate would slow down his accumulation of wealth and power, although he leaves this part out. Andreessen, “The Techno-Optimist Manifesto”; Marc Andreessen, “Why AI Will Save the World,” *Andreessen Horowitz* (blog), June 6, 2023, <https://a16z.com/ai-will-save-the-world/>.

¹⁴⁰¹ Bourdieu, writing on symbolic capital, notes that symbolic and material capital are so intertwined that the mere exhibition of one or the other (and here I am invoking Deleuze and Guattari’s claims

consumer \$10 of free money. It also gave free money to the consumer if they recommended a friend (who in turn got their \$10 signing up bonus). Even if people did not want to send money via online payments, they wanted \$10 and the money that referrals endowed—they *lacked* \$10 and the referral endowments when compared to their friends. From a PayPal brand perspective, hypergrowth was being realized, from a PayPal corporate and balance sheet perspective, PayPal was in reverse and leeching money. VC funds facilitated this hypergrowth in the absence of monetary realization. This process took place at the height of the dotcom bubble—a period of institutionalized mania, internet hype, and suspended belief that was finally running out of symbolic roadway and was poised to crash down to Earth. At this time, PayPal advertised its viral growth in the *Wall Street Journal*, estimating their value at \$500 million on the basis of their demonstrable hypergrowth. The following month, when seeking out a new round of VC financing, they were able to raise \$100 million in new capital, with the lead investor on that deal admitting to PayPal’s founders that this amount was based on taking the valuation posted in the *Wall Street Journal* article as authoritative. Shortly after, the dotcom bubble burst and internet companies everywhere went out of business. PayPal, flush with cash, simply carried on as before, riding out the turmoil until the timing was right to go public and then, shortly after, to

about exhibition described above) is enough to bring material profit into being. This he refers to as the “perfect rationality of [the] strategy of bluff,” “the economic rationality of conduct that economism dismisses as absurd.” See Pierre Bourdieu, *Outline of a Theory of Practice*, trans. Richard Nice (Cambridge, UK: Cambridge University Press, 1977), 181.

be acquired.¹⁴⁰² PayPal was able to produce concrete value (E'), realized in cash (M'), through pure hype and growth (G).

It is as a result of all the firms that went out of business, those not as fortunate or savvy as PayPal, those that failed to realize hyperstition, that we refer to this period as a bubble. Bubbles burst and, as per the metaphor, destroy all that grows with them. However, as the PayPal example demonstrates, this is not strictly true. *Economic* bubbles can be productive, and they give rise to no shortage of opportunism realized as real capitalist value. Janeway argues that bubbles are the engine of VC and economic growth in general; they are a necessary feature of the capitalist economy bordering on the banal. And yet, he says, not all bubbles are created equally. There are both good and bad bubbles—productive and non-productive. Productive bubbles produce general purpose technologies, they provide adequate hype and interest and growth, that is, to engender a techno-economic paradigm shift—new technological capabilities that can transform society as a whole, what I will refer to as a form of *general* social necessity. Bad bubbles, on the other hand, emerge when the illiquid investments of VCs (illiquid because up until exit they are held in equity and not commodities, as per the general formula for VC) cease to be traded at a discount reflecting their status as illiquid investments. That is, when people are paying a *premium* to exchange liquid for illiquid assets. Then, says Janeway, you are in dangerous territory, for there is no guarantee that growth (G) can keep up with valuation (E') and thus that realization (C-M') can

¹⁴⁰² Thiel and Masters, *Zero to One*, 18.

ever match value (E/E').¹⁴⁰³ This is precisely how Janeway assessed Cryptocurrency markets which, as if modeled on the VC investment process—and VCs I have spoken to have suggested that blockchain based token distributions *are* modeled on equity distributions in startups, on an analogy whereby engineers receive equity in the technology (i.e., on the blockchain) as opposed to in the firm (i.e., ESOs)—seemingly grow without any substance *but* growth.¹⁴⁰⁴

Nevertheless, Janeway is adamant that whole industries might emerge from the wreckage of bubbles. And here is the rub. For all the talk of general-purpose technologies and general social necessity, what emerges from these bubbles when they are driven and led by VC are industries *already dominated by monopoly firms*. Thus while Janeway may be correct to suggest that bubbles result in the emergence of general-purpose technologies, we do not arrive at a situation of *general* social necessity, but rather with particularized forms of social necessity in the guise of, say, PayPal, Google, Uber, Airbnb and so forth.

¹⁴⁰³ The characters in parenthesis are my own formulation as per the general formula for VC, not Janeway's. Janeway expresses his ideas concerning bubbles in several blog posts. See Bill Janeway, "Productive Bubbles," *Bill Janeway* (blog), July 27, 2021, <https://www.billjaneway.com/productive-bubbles>; Bill Janeway, "Unicorns: Why This Bubble Is Different," *Bill Janeway* (blog), May 28, 2015, <https://www.billjaneway.com/unicorns-why-this-bubble-is-different>; Bill Janeway, "Bitcoin, Unicorns, and Why All Bubbles Aren't Created Equal," *Bill Janeway* (blog), February 9, 2018, <https://www.billjaneway.com/bitcoin-unicorns-and-why-all-bubbles-arent-created-equal>; See also Janeway, *Doing Capitalism*.

¹⁴⁰⁴ This in theory demonstrates that the concrete reality of realization (M') necessarily depends upon the concrete realization of growth (G), and that value (E/E') reflects this concreteness and does not become divorced from reality. However, as I shall discuss further in Chapter 6, this is not always case because exit ((X)) provides a breakpoint between growth (G), value (E/E'), and realization ($C-M'$) such that, if the timing is right, a VC may exit and realize returns ($C-M'$) purely on the basis of symbolic value (i.e., E' without G). Should reality set in and the firm burst under their own lack of substance, this will not change the value realized for the VC process at exit.

Despite its flawed conclusions, Janeway's distinction between productive and unproductive bubbles offers a useful counter-narrative to the oft-cited SVC mantra "fake it till you make it," one that I will counterpose as "fake it till you get found out." The former, bordering on an ethic of practice for the agents of SVC, is essentially a vulgar counterpart to Landian superstition; it is the idea that if you can "sell" an image that people will "buy" (though no cash transaction need take place), then you can buy time to turn that image into concrete reality. It is, as such, an approach uniquely suited to the VC process.¹⁴⁰⁵ It is a gamble on what Mallaby refers to as "premature truths"; not lies (although they often are lies) but truths that haven't yet been verified by reality.¹⁴⁰⁶ Premature truths work because they imply future growth trajectories (E-G-E'). They are an example of contracted time (see Chapter 2) whereby an image of the future (a premature truth) is brought to bear on the present in an event of value realization (which may be either G-E' or (X)-C-M'). I have already presented the basic mechanisms by which this possible: first, VC injects capital into a firm allowing it grow without the normal requirements for profits, revenue, or even a product; second, as a result of the first point, it allows firms to stay private while they grow and thus protects them from public scrutiny (e.g., regulatory requirements). This second point allows the firm to enjoy what are arguably unfair advantages when compared to public firms. A private company can "fake" things in a way that public, establishment firms cannot. To achieve growth (G) private firms can outright lie (as PayPal did in the example above)

¹⁴⁰⁵ Buying time to suspend the requirement of realization is the essence of both "fake it till you make it" and the general formula for VC.

¹⁴⁰⁶ Mallaby, *The Power Law*, 340–42.

and even break the law (as did Uber). Provided they achieve critical mass, however, a level of social presence and seeming necessity so strong that the public *demand* those lies be forgiven, then the transgressions no longer count, for no public or private actor can make them go away—society has decreed their legitimacy.¹⁴⁰⁷ Fake it till you make it, then, is directly related to that SVC mantra: don't ask permission, ask for forgiveness.

Alas, “fake it till you get found out” is a real thing. VCs can, it is true, keep bubbles growing by continuously buying into firms at ever higher valuations; however, if at some point hyperstition does not take place it is inevitable the bubble will burst. The problem, as Janeway rightly points out, is that VCs and other investors will willingly pay prices that exceed their own valuation (thus further boosting valuations) for as long as they believe they will be able to find another investor who is willing to pay more in the future.¹⁴⁰⁸

But what happens when premature truths turn out to be lies, as was the case with Sam Bankman-Fried (FTX), Adam Neumann (WeWork) and Elizabeth Holmes (Theranos)? As with the tale of FTX outlined in the introduction, both WeWork and Theranos greatly exaggerated their capabilities to achieve symbolic capitalization and growth (attracting real capitalization) in the absence of any substantial contribution to concrete or realized value for consumers. In the case of WeWork, Neumann's

¹⁴⁰⁷ For more information, see the discussion in Chapter 4 relating Uber, DraftKings, and Tusk Ventures in general.

¹⁴⁰⁸ We may ask at this point if, in the absence of hyperstition, there is much to distinguish this supposedly distinguished industry from a vulgar duplicities of rightly maligned pyramid (or “Ponzi”) schemes. See Janeway, *Doing Capitalism*, 197.

purportedly “messianic” character encouraged a frenzy of investor FOMO that at one point in 2019 led WeWork to be valued at \$47 billion dollars. By late 2023, the firm had filed for bankruptcy. Reality set in once WeWork had inflated its own worth to such an extent that even VCs could no longer stomach the paltry equity stakes their capital would buy in a given funding round and the only option left for Neumann was to attempt taking the company public. WeWork’s prospectus, however, revealed highly creative accounting practices—what WeWork referred to as “community-based EBITDA”—that amounted to little more than a pathetic attempt at obfuscation.¹⁴⁰⁹ It was only when public scrutiny came to bear on the firm that it got found out. So much for the geniuses of VC and their due diligence.¹⁴¹⁰

Theranos did not have to wait until public scrutiny came calling, their failure to deliver anything approximating a minimum-viable product eventually brought investors and consumers back to reality. Theranos falsified its growth (G) to attract additional capital thus buying it more and more time to realize its goals. It told investors it had distribution agreements and partner agreements that did not exist, its leadership team told their own CFO that contracts were in negotiation when they weren’t. They simply cooked their books projecting numbers that were not just exaggerated, but fanciful to the extreme. On one spreadsheet given to investors, they forecast gross

¹⁴⁰⁹ EBITDA stands for earnings before interest, taxes, depreciation and amortization and is a standard accounting term. It is part of what is known as Generally Accepted Accounting Practices (GAAP). Community-adjusted EBITDA was anything but that. In addition to subtracting interest, taxes, depreciation and amortization, WeWork also subtracted legitimate expenses such as marketing, design, and administrative costs. Most damningly, it creatively presented its rent incomes and obligations in a way that made its liabilities seem lower than they were in reality, thus artificially boosting its value.

¹⁴¹⁰ For a detailed narrative of the WeWork story, see Brown and Farrell, *Cult of We*.

profits of \$165 million on revenues of \$261 million 2014 growing to gross profits of \$1.08 billion on revenues of \$1.68 billion in 2015. Six weeks after these forecasts were given, their own corporate controller provided a new profit forecast of \$35 million in 2014 and \$100 million in 2015. Even these numbers were wildly exaggerated.¹⁴¹¹

While Neumann has escaped any criminal charges, both Bankman-Fried and Holmes have been prosecuted and sentenced to incarceration. Yet they are merely icons of this phenomenon because of their scale of duplicity and value loss (if there is one thing capital hates, it's losing capital). In 2023 *The Guardian* ran an editorial on the case of Charlie Javice, founder of VC-backed startup Frank, a firm that described itself as “Amazon for higher education.” Like FTX, WeWork, and Theranos, Frank's growth was based on lies, and just before the article was published Javice had been charged by the US Justice Department for corporate fraud. The article, however, was not really about Javice or Frank, it was about a pattern of criminal activity by young entrepreneurs. Specifically, the editorial was asking why so many members of *Forbes'* coveted “30 under 30” list were facing jail. Not just Javice, but Bankman-Fried's colleague Caroline Ellison of Alameda Research and Trevor Milson of Nikola (once listed as the youngest billionaire on the Forbes 400, though only because he lied about the growth of his business and thus the value of his equity).¹⁴¹²

¹⁴¹¹ For a revealing account of the Theranos story, see John Carreyrou, *Bad Blood: Secrets and Lies in a Silicon Valley Startup* (New York, NY: Knopf, 2018). Figures cited by Carreyrou on pp.7, 182.

¹⁴¹² Arwa Mahdawi, “30 under 30-Year Sentences: Why so Many of Forbes' Young Heroes Face Jail,” *The Guardian*, April 7, 2023, sec. Business, <https://www.theguardian.com/business/2023/apr/06/forbes-30-under-30-tech-finance-prison>.

Sadly, the editorial seems bemused by this trend and places blame on “the vision of success that we’ve been sold and the fetishizing of youth.” Yet as my argument has shown, the true motivation behind this trend is the VC model of investment that encourages symbolic growth in the absence of real growth, and growth in the absence of realization. When VCs are quizzed about the malfeasance of Holmes, Bankman-Fried and others, they do not express regret about unethical incentives and behaviors, but rather lament the possibility that VCs will cease to be as adventurous and risk-hungry in future. The only negative effect for the agents of SVC is that their ability to “fake it until ... ” has, they fear, been materially diminished. This is all the more remarkable and damning given the fact that when VCs were asked in a survey who they believed was primarily responsible for the FTX debacle, 70 percent suggested that it was the fault of investors themselves.¹⁴¹³ It seems SVC is just as susceptible as society to falling for the aesthetic value of its new intellectuals.

A NEW HEGEMONY

"Like it or not, there is increasingly no middle class in business. The wealth goes to the kings. A second-place prince—such as Lyft or Samsung—can get a tidy share of the economics. The rest of the players get relegated to the life of serfs in the category king's empire."¹⁴¹⁴

Al Ramadan et al., *Play Bigger*, p.17

¹⁴¹³ Jessica Mathews, “70% of Dealmakers Say That Investment Managers Share Culpability for FTX,” *Fortune*, March 1, 2023, <https://fortune.com/2023/03/01/investor-culpability-ftx/>.

¹⁴¹⁴ Ramadan et al., *Play Bigger*, 17.

The fundamental conclusion to be drawn from the preceding discussion concerns the legitimization of SVC and its agents through myriad means and ways of manufacturing *appearance*. It is through the ideological process of presenting imaginary relations as *real* relations¹⁴¹⁵ that this legitimacy is made possible, and it is via the legitimating aesthetics of SVC's most celebrated agents—a hierarchy of *names* manufactured as *brands*—that the world has come to experience not only Steve Jobs, Mark Zuckerberg, and Elon Musk, but also Sam Bankman-Fried, Elizabeth Holmes, Adam Neumann, and others.

Standing at the top of this field of legitimization are VCs with their all-encompassing VC process. Swap any of the above names out, and the same excesses will be produced as a consequence of this process. Experienced VCs and entrepreneurs leading neophyte VCs, embedded entrepreneurs, and various types of HC to form a grand hegemonic bloc perfectly positioned for the twenty-first century.¹⁴¹⁶ As the moral and intellectual leaders of SVC, they present the world produced from the ideas and aspirations of its agents as a world beyond politics, in which all our needs can and will be met by the technological interventions of its most brilliant representatives.¹⁴¹⁷ And yet closer inspection reveals a movement from structure to superstructure; a transition of material life's *needs* into ideational *wants* that, when they become necessary, are transmuted back the form of needs—only this

¹⁴¹⁵ Althusser, *On the Reproduction of Capitalism*, 181.

¹⁴¹⁶ Gramsci, *Prison Notebooks*, 57.

¹⁴¹⁷ Gramsci, 181–82.

time in greater abundance given their immaterial basis, and primarily to serve the interests of SVC.

These ideas framed around problems, I have argued, are not society's ideas even if they appear so—they are the ideas of VCs and (v)entrepreneurs molded and motivated by the VC process and its narrow, disciplinary incentives. These ideas, presented as contrarian and radically beyond anything we mere mortals might be able to think of, are not merely formed through a consensus approach to radicality and renewal, but are conservatively beaten into shape via the VC process's imperatives and the systemic necessities of capitalist reproduction. The formation of subjects within this embedded field of the VC process (see Chapter 1) seeps out into the material world producing new subjectivities *not* in its own image, but in a disempowered image supporting the SVC class as a whole. Those who can start businesses and change the world, deworld the world by negating human possibility not merely beyond the frame of their creation, but by subjecting those human possibilities to the structures of power and subjugation that benefit from this creation.

It is by adopting these ideas as our own that coercion becomes consent, as our willingness to adopt modes of fulfillment *chosen for us* to solve problems *defined for us* becomes automatic.¹⁴¹⁸ As Marcuse once wrote, we consent to be ruled because consumption feels good.¹⁴¹⁹ But we consume in certain ways because we have been told that science and technology are the only way; science and technology have entered

¹⁴¹⁸ Gramsci, 145.

¹⁴¹⁹ Hudson and Hudson, *Consumption*, 106.

into common sense as the Silicon Valley Consensus solution to every social problem, provided it has been framed in the right way. The problem is that the majority of us standing outside of SVC's arrangements have no power to reverse the technological and scientific trends encapsulated in the products and services we have come to depend on.¹⁴²⁰ We are but passive observers, willingly accepting and consuming the world as it is decided upon and given to us.

But worst of all, when the things we have adopted through little volition of our own become the things we depend on to engage in social life, we have all become complicit in our own disempowerment. Branko Milanovic in *Capitalism Alone*, writes “We are all capitalists now,” to which we might add: “we are all techno-optimists now.”¹⁴²¹ But this addition appears as a conjunction, for it is impossible today to imagine the spread of technology outside of market mechanisms and capitalist investment—and when it comes to the cutting edge, to that which we get *most* excited about, it becomes impossible to imagine the realization of a better technological or scientific future without VC and its agents leading the charge.

The task that remains in the final chapter is to understand how this appearance of social necessity truly works, how VC is able to stand along in inaugurating this future, and what the true meaning of value is in a world dominated by SVC.

¹⁴²⁰ Reich, Sahami, and Weinstein, *System Error: Where Big Tech Went Wrong and What We Can Do About It*, xxvi.

¹⁴²¹ Branko Milanovic, *Capitalism, Alone* (Cambridge, Massachusetts: The Belknap Press of Harvard University Press, 2019).

[CHAPTER 6]

Strategic Inefficiencies

A Lifeworld of Abundant Scarcity

“[Strategy] is about getting more out of a situation than the starting balance of power would suggest. It is the art of creating power.”¹⁴²²

Lawrence Freedman, *Strategy*, p.xii

“Your number one job is to change the way people think. Your product, your company culture, your marketing—everything has to be aligned with transforming the way potential customers think. If you change the way they think, they will change their buying behavior. More important, if you are the company that changes the way people think, people will see your company as the category king, and you will win the majority of the customers. That’s why category is the new strategy.”¹⁴²³

Al Ramadan et al., *Play Bigger*, p.35

"Human desire is the raw material we are working with. The strategy of human desire is the tool of shaping the human factor, the most important aspect of our worldly arsenal. Human progress is a conquest of the animal within us. No conquest is possible without strategy.”¹⁴²⁴

Ernest Dichter, *The Strategy of Desire*, p.13

¹⁴²² Lawrence Freedman, *Strategy: A History* (New York: Oxford University Press, 2013), xii.

¹⁴²³ Al Ramadan et al., *Play Bigger: How Pirates, Dreamers, and Innovators Create and Dominate Markets* (New York, NY: Harper Business, 2016), 35.

¹⁴²⁴ Ernest Dichter, *The Strategy of Desire* (Mansfield Center, CT: Martino Publishing, 2012), 13.

“The distinction between ‘essence’ and ‘appearance’ refers to different levels of determination, that is in the last analysis to the process of cognition, not to different degrees of reality. To explain the capitalist mode of production it is wholly insufficient to understand simply the ‘basic essence’, the ‘law of value’. It is necessary to integrate ‘essence’ and ‘appearance’ through all their intermediate mediating links, to explain how and why a given ‘essence’ appears in given concrete forms and not in others.”¹⁴²⁵

Ernest Mandel, “Introduction” to Marx’s *Capital Volume I*, p.20

INTRODUCTION: A WORLD BEYOND CAPITAL

In 2024, Albert Wenger, a managing partner at Union Square Ventures, released a self-published monograph entitled *The World After Capital*. He writes in the opening paragraph:

“As a venture capitalist, I’m often asked: ‘What’s the next big thing?’ People tend to ask this when they’re looking for a trend in technology and expect me to tell them about robotics or virtual reality. But that’s a boring interpretation of the question. These trends come and go as part of hype cycles that present the waning and waning of media interest in a particular technology. Instead I answer, “Oh, nothing much—just the end of the Industrial Age.”¹⁴²⁶

¹⁴²⁵ Ernest Mandel, “Introduction,” in *Capital: A Critique of Political Economy: Volume One*, by Karl Marx, trans. Ben Fowkes (London, UK: Penguin Books, 1976), 20.

¹⁴²⁶ Albert Wenger, *The World After Capital* (Las Vegas, NV: Albert Wenger, 2024), 7.

Wenger's argument is that we are in the midst of a world-historical shift towards a new paradigm of human action and constraint. We are drifting from "the physical capital of the Industrial Age, such as factories, buildings and roads"¹⁴²⁷ into a "Knowledge Age," the new epoch of digital technology. This Knowledge Age, says Wenger, is marked by two distinctive features: zero marginal cost, and the universality of computation. The former pertains to the idea that "[o]nce a piece of information exists on the internet, it can be accessed from anywhere on the network for no additional cost,"¹⁴²⁸ and the latter to the idea that "anything that can be computed by the universe can in principle be computed by the kind of machines that we already have, given enough memory and time." When combined, "universality at zero marginal cost" produces a new world order—a new *nomos* of the Earth¹⁴²⁹ "unlike anything we have had with prior technologies" that is "at least as dramatic and non-linear an increase [in] the 'space of the possible' for humanity as agriculture and industry did before."¹⁴³⁰

¹⁴²⁷ Albert Wenger, "A Theory of History and Society: Technology, Constraints and Measurement (TCM)," *Continuations* (blog), July 2, 2020, <https://assets.tumblr.com/analytics.html?v=9f5febfd57a8a649c598d888f2d9e062#https://continuations.com>.

¹⁴²⁸ This is technically not true, as there are always infrastructure and energy costs involved in accessing digital information, as the massive environmental impacts of cryptocurrency mining have made clear in recent times. A recent study also showed that sending seemingly harmless "thank you" emails impose, in aggregate, a massive carbon footprint. Wenger, *The World After Capital*, 16.

¹⁴²⁹ The term "nomos of the Earth" is derived from Carl Schmitt's 1950 work of the same name. Schmitt presents a geopolitical argument about the nomological structure of world order. Benjamin Bratton adapted this argument in his 2015 work *The Stack*, arguing that ubiquitous computing had created a new nomological paradigm for world order. Although Bratton is a critical scholar, his central thesis has obvious parallels to Wenger's argument in *The World After Capital*. Benjamin Bratton, *The Stack: On Software and Sovereignty* (Cambridge, Massachusetts: MIT Press, 2015); Carl Schmitt, *The Nomos of the Earth in the International Law of the Jus Publicum Europaeum* (Telos Publishing, 2006).

¹⁴³⁰ For references to quotes, see Wenger, *The World After Capital*, 19, 23–24.

According to Wenger, the challenge with this type of epoch-defining transformation is that it “change[s] the binding constraint on humanity, which results in large scale reorganization of how humans live.” Whereas the binding constraint on humanity during the industrial age was physical “capital” (or so he says), the binding constraint facing humanity in the twenty-first century is *attention*. As a result of universality at zero marginal cost, we are facing an apparent crisis of scarcity in relation to attention.

For Wenger, a major part of the issue affecting the present shift is that the incentives are all wrong: “The markets that drive the predominant way we use digital technology to allocate attention,” he says, “reflect the financial interests of investors and advertisers, which are often orthogonal or even antagonistic to individual and community interests.”¹⁴³¹

Given what I have been arguing about incentives, growth, and exit, this would appear to be true, even though it is a strange statement for a VC to make. Part of the issue, he suggests, in a recurring theme of the book, is that modern economics doesn’t quite get how the world works in practice. Scarcity, for example, which economists treat as a fundamental condition of the world, is defined by economic theory as a condition expressed whenever price is greater than zero. This is problematic, says Wenger, because anything can thus be made scarce by assigning ownership of it. A

¹⁴³¹ Wenger, *The World After Capital*, 75.

better definition on his account would be to say that “something is scarce when there is less of it than we require to meet our needs.”¹⁴³²

But then, economics takes another misstep in this regard, frequently and erroneously equating needs with wants, and thus assigning the category of scarcity to frivolous desires as opposed to desperate necessities.

So concerned is Wenger about this category mistake that he takes the time to enumerate our *true* needs, dividing them into two categories:

1. Individual needs are oxygen, water, calories, nutrients, discharge, temperature, pressure, light, healing, learning, and meaning
2. Collective needs are reproduction, allocation, motivation, coordination, and knowledge.¹⁴³³

And it is not just the economists. Concerningly, he acknowledges, society also suffers from this same confusion. It is due, he says, to the “extraordinary success of capitalism” that people have become confused about needs and wants, about work (i.e. labor) and consumption, and about scarcity and necessity:

“Working harder and consuming more allows the economy to grow, so we can ... work harder and consume more ... Even worse, we frequently find ourselves trapped in what’s known as ‘positional consumption,’ or ‘Keeping

¹⁴³² Wenger, 38.

¹⁴³³ Wenger, 46–51.

up with the Joneses' ... where what matters to us are not the inherent benefits of the things we buy, but their relative prestige ... However, our addiction to consumption is exactly that—an addiction that exploits a mechanism in the brain. When you desire something, a new car for instance, your brain gets a dopamine hit based on your anticipated happiness, which makes you feel good. Once you get the car, you compare it to your prior expectations. If the car turns out to be less than you expected, your dopamine levels will decrease and this can cause extreme disappointment. If your expectations are met, your dopamine levels will stay constant. Only if your expectations are exceeded will you get another hit of dopamine. Now as you get used to having the new car, your expectation adjusts so quite quickly after the initial purchase you no longer receive any new dopamine from having a new car. The unfortunate result of all this is known as the 'hedonic treadmill.' When your brain grows accustomed to something like a car or an apartment, then recreating the same feeling of happiness as your original anticipation for the car or apartment now requires a faster car or a bigger apartment."¹⁴³⁴

The World After Capital is, on the face of it, a stunning artifact of reflexive misrecognition. Wenger appears unable or unwilling to apprehend his own role as an agent of the contemporary doom-loop by which our desires are presented as necessities and, amidst a world of frivolous abundance, social experience has become imbued with a subtle and yet omnipresent sense of scarcity and lack. On the one hand, he acknowledges that contemporary markets for attention are driven by the rapacious interests of financiers and advertisers—by exits and psychological manipulations rather than social welfare—but on the other, he fails to identify himself as one of these financiers and, given that VC provides far more than financial capital, as a provider of

¹⁴³⁴ Wenger, 157.

precisely the kind of cultural, and reputational capital that pertains to the positioning strategies of advertising agencies. Aren't these markets that he speaks of—social media, cryptocurrencies, cloud services and so forth—precisely the same markets that VC has nursed into being?¹⁴³⁵ Isn't Wenger the very embodiment of these “financial interests of investors and advertisers”? It is truly remarkable that Wenger can, without a hint of irony, speak of capitalism's ruling elites in the third person:

“Just as the ruling elites at the end of the Agrarian Age came from land, the ruling elites today come from capital. They often don't take up political roles themselves but rather have ways of influencing policy indirectly, exposing them to less personal risk.”¹⁴³⁶

Wenger apparently suffers from the same insularity as many of the characters (or *personae*) addressed in this dissertation, perspectives that are representative of a particular class, demographic, and disciplinary mindset. He is a white, middle-aged, cisgender, straight male, educated in Economics and Computer Science at Harvard, and Information Technology at MIT, and as such embodies the same orthodox and parochial worldview shared by so many of his colleagues. The other guys are the bad

¹⁴³⁵ Wenger himself has a history of early investments in online retail companies (Etsy), cloud computing (Twilio, Firebase), and social media (Bēhance).

¹⁴³⁶ Quite why Wenger even raises this point is a mystery. The example he gives of a contemporary (capitalist) ruling elite with political power is the hedge fund billionaire Robert Mercer who, he claims, influenced the outcome of the 2016 US Presidential Election by supporting media outlets such as Breitbart. He completely sidesteps the more prominent narrative that the most impactful media-based influence on the election came from VC-backed social media platforms. Wenger, *The World After Capital*, 43.

capitalists, we are the good guys; they are parasites on the world, we are expanding the very meaning of the word “world.”

It should then, in this regard, not be surprising that Wenger’s solution to much of what he sees as wrong in the world (not least of all the financial interests of investors and advertisers) can be remedied through *incentives* (see Chapter 1).¹⁴³⁷ *Those* capitalists have the wrong incentives, whereas Wenger does not. VC is different after all.

The thing is, VC *is* different, and it is by virtue of its difference that it has been one of the principal vehicles for facilitating and shepherding the world into the Knowledge Age. It is precisely by virtue of VC’s own incentives towards growth (G) that individuals and communities have had their attention hijacked and become subject to these new social constraints, constraints that I will otherwise refer to as social *necessities*. It is by virtue of VC’s growth before profits model that attention, knowledge, and *desire* have been valorized as tradable assets and seemingly divorced from what Wenger refers to as the (physical) capital of a previous age. Thus, when Wenger writes of “living in horror movie,” you could be forgiven for wondering if he is pulling our leg:

“[p]eople appear to be under some kind of mind control, that seems to be emanating from the handheld devices they all carry with them ... I tell

¹⁴³⁷ “I have had another breakthrough in thinking, which resulted in a ‘Duh’ forehead slap. The first part of the answer is of course ‘incentives.’ That much I had thought all along but the missing piece was considering why incentives had to change and that’s where measurement comes in.” Wenger, “History and Society.”

someone about how severe and imminent the climate crisis really is ... There is a brief moment in which they appear genuinely disturbed. You can see in their eyes that they grasp the magnitude of the problem, that they see the world clearly for at least an instant. Then just a few minutes later—often after consulting their little handheld device – they are back to where they were before. Oblivious to an extinction level threat to humanity,”¹⁴³⁸

Perhaps most baffling of all is his apparent misunderstanding of what “capital” actually is—a truly remarkable feat for a venture *capitalist*. Capital, on his account, is limited to *physical* infrastructures, completely ignoring other material manifestations of capital including money. As a financier, this is even more bewildering—after all, finance and the mechanisms of fictitious capital have been well-documented since at least the time of Marx (writing at the height of the Industrial Age, it should be added) and easily demonstrate the capacity for capital to take non-physical forms.¹⁴³⁹ Wenger either fails to realize, or purposefully ignores the fact that capital is, in essence, nothing but value in motion—it is value undergoing constant circulation and expansion, and this applies just as much to a Knowledge Age as it does to an industrial one.¹⁴⁴⁰ Capital works just as well with knowledge and ideas as it does to practices and materials (all of which are

¹⁴³⁸ Albert Wenger, “Living in a Horror Movie?,” Tumblr, *Continuations* (blog), November 26, 2019, https://assets.tumblr.com/analytics.html?_v=9f5febfd57a8a649c598d888f2d9e062#https://continuations.com.

¹⁴³⁹ In Volume III of *Capital*, Marx makes the point that even fictitious capital derives its origins from labor exploitation and thus, by transitive association, from material practices and capital. This, however, applies just as much in the Knowledge Age as it did in the Industrial Age—Wenger’s inability to recognize this is exactly why he believes the Knowledge Age is marked by zero marginal utility. Karl Marx, *Capital: A Critique of Political Economy: Volume Three*, trans. David Fernbach (London, UK: Penguin Books, 1981), 525–42.

¹⁴⁴⁰ David Harvey, *Marx, Capital, and the Madness of Economic Reason* (New York: Oxford University Press, 2018), 1.

in fact implicated in one another). It precisely because capital works well with *ideas* that modern economics can get scarcity so wrong while muddling up needs and wants; these elements are little more than ideological presuppositions of capitalism itself, and modern economics is (as Marx might have it) nothing but a bourgeois science.¹⁴⁴¹ The idea of scarcity serves this ideology by producing an incessant sense of socially shared lack, and with it the motivation for society to continuously consume privately produced goods. The substitution of wants for needs, on the other hand, is part of capitalism's charm and trickery, for it facilitates capitalism's uncanny ability to meet the condition of natural scarcity with a product of unnatural fulfillment, to continue producing for us even when our needs have been met.

The thing is, for all of his apparent misunderstandings, there are several things that Wenger gets right, and collectively they correspond to an image of VC as a critical supplement to earlier crisis-ridden phases of capitalist accumulation. VC, as we have seen in the general formula for capital, essentially breaks (or at least bends) the rules of capital and is in this sense a mode of accumulation that succeeds capital. It reflects a world *beyond* capital, if only because VC allows capital to reach *into* the (supposedly impenetrable) world of material life in order to bring that which escapes it into the cycle of value in motion. VC allows capital to renew itself as a means of reproducing more orthodox cycles of valorization, and it is able to do this precisely *because* it focuses on

¹⁴⁴¹ Wenger might do well to actually read (or at least, try to understand) Marx rather than making straw man arguments against his work in blog posts such as the following: Albert Wenger, "Marxism Remains a Dangerous Idea," *Continuations* (blog), August 13, 2020, <https://assets.tumblr.com/analytics.html?v=9f5febfd57a8a649c598d888f2d9e062#https://continuations.com>.

knowledge, attention, and desire. The effect of supposedly universal zero marginal cost is that production is unleashed from its shackles along with consumption. Information cannot just be accessed anywhere, but *anytime*, and as universal computing becoming *ubiquitous* computing, there are fewer and fewer spaces for material life to remain unmolested by market exigencies which are, in reality, puppeteered by the “financial interests of investors and advertisers.”

Wenger is also right to say that people are confused about work and consumption, but only because those categories have been upended by innovations of the Knowledge Age. Labor and work are no longer synonymous because so much of the work involved in valorizing capital is done by users who “work” for free, 24 hours a day, 7 days a week. Consumption is now confusing because for much of it we no longer have to *pay* in monetary terms—or when we do, it is for an enticingly low cost—we are, as such, not simply consumers, but *users*. And as such, work and consumption have become entirely divorced while remaining at the same more imbricated than ever before. *Effective* demand, a constraint on capital because of the requirement to provide for wage labor, is thus negated in favor of simple demand; scarcity, previously associated with price, is superseded by attention because this is what capitalists are fighting for—our attention. Having burst asunder the foregoing limits to capital, new limits are appearing to which capital simply cannot abide.

But capital, as always, has another trick up its sleeve, for as Wenger correctly observes, people are just as confused about wants and needs today as they ever were in the past. And for as long as an infinite number of wants can be produced to supervene

upon a finite number of needs, *while being presented as necessities*, then capital's "needs" will always be met. What he fails to acknowledge—disingenuously or not—is that capital has long practiced the alchemy of presenting wants as needs by grounding frivolous wants in a slither of natural necessity, by framing wants in terms of how they connect to individual or collective needs. But this is the characteristic move of VC: to deny the legitimacy of that which already exists (e.g., consumption, work) in an antiestablishment move of usurpation while presenting its own path forward as a *better* way to live in the world, never fully admitting its true identity as an anti/establishment force.

Thus Wenger is also not wrong to suggest that the ruling elites take up political roles in an indirect way, he just fails to acknowledge his own positionality in this regard. VC is inherently political in that it renews and reproduces the field of binding constraints that define our social world. Attention is merely the latest manifestation. VC produces today all that we will need to be consuming tomorrow just to keep up with social norms, and in doing so eclipses social freedom. Thus, VC is the essence of indirect (i.e., non-governmental) political action. The future of social necessity, and with it social freedom, will be driven by "the financial interests of investors and advertisers," just as Wenger full well knows:

"You might be wondering why I would choose to write this book as a VC—after all, surely it's a distraction from finding and managing investments in startups? However, working with startups gives me a window into the future: I get to see trends and developments before they become widely understood,

and this puts me in a good position to write about what is going to happen. At the same time, writing about the future that I would like to see will help me find companies that can help bring that future about.”¹⁴⁴²

* * *

My purpose in this chapter is threefold. First, I aim to elaborate on the function and formation of lack in the fulfillment-lack duality, linking it dialectically to its associated elements (product-market, HC-MS) and thus back to the VC process. Second, I need to close the loop on growth (G) in order to demonstrate how, through the concept of *social necessity*, a circuit is formed in the VC process that ties monetary investment to exit and, ultimately, to monetary realization in the general formula for capital. Finally, supporting this second task, I must show how this underlying conceptualization of social necessity works in tandem with contracted space-time to produce value (E ... E') in the VC process. To fulfill these aims, this chapter has four sections.

I begin by addressing the reversal of causality in which fulfillment *produces* the lack (and thus scarcity) upon which it depends, shifting my focus from the former (which was the task of Chapter 5) to the latter. This reversal, while not strictly unique to VC, is, I argue, intensified and systematized under the VC process via its exploitation of contracted space-time; it becomes essential to, and a key characteristic of, the VC

¹⁴⁴² Wenger, *The World After Capital*, 9.

process. Following Todd McGowan, I refer to the figuration underpinning this mechanism as “the promise.” It is the promise that entwines innovation (e.g., technology) and capitalism together to make necessary the fraction of capitalism that we refer to as VC. Both innovation and capitalism depend on images of a speculative *better* future, and it is when these images are tied to related images of lack in the present that the producing, consuming, or prosuming subject is animated to become invested in what *appears* to them as a socially *necessary*, rather than merely desirable, future.

In section two, beginning with the observation that “future necessity” is a seemingly contradictory concept—the future being marked by contingency and uncertainty; necessity by certainty—I examine VC’s relationship to risk and uncertainty. How is it, I ask, that VC is able to produce the appearance of necessity and inevitability from a field of contingency and uncertainty? Often referred to as “risk capital,” VC operates on the assumption that change is certain rather than uncertain. Thus, I argue, in a seeming violation of Frank H. Knight’s famous distinction between uncertainty (radically unknowable) and risk (probabilistic), when VCs gamble on change, they are not playing with uncertainty but rather engaging the laws of chance *in aggregate* to produce probability distributions that transform uncertainty into a situation resembling risk. At the same time, VC seemingly *accepts* Knight’s insistence that profit (i.e., surplus value) is produced through uncertainty, and that under economic conditions of perfect competition all profits would be competed away. In response, however, VC negates the profit eliminating tendencies of perfect competition in not one, but two ways: (1) by operating in the field of uncertainty to create or

discover value; and (2) by leveraging its structural and processual capacities to monopolize these creations and discoveries, thus *capturing* value. To address (1), I explain how VC operates according to two broad assumptions of asymmetrical probability: first, while the downside of any given investment has a certain quantity (i.e., the initial stake), only the *upside* quantity (i.e., of returns) is uncertain. That is, while profit is indeed located in the domain of uncertainty as Knight postulates, this uncertainty has no negative valence; second, VC models its investments around long-tail distributions also known as “power law” outcomes. In doing so, it wagers on the returns of spectacular outliers while accepting failure as the most common result of investment. While this approach appears decidedly inefficient, it is, I contend, highly strategic. Crucially, it is precisely *through* failure that VC is able to transform uncertainty into certainty, for failure tests and falsifies reality. In falsifying various approaches to value creation or discovery, failure makes certain the outcome of uncertain courses of action.

In the third section of this chapter, I attempt to address point (2) and the negation of perfect competition through a form of market monopolization that I refer to as *social necessity*. I begin my argument by returning to and updating the general formula for VC, illustrating and explaining how social necessity fits into the VC process to produce a circuit aiding eventual realization. Building on a distinction made here between “demand-side” and “supply-side” monopolies, I go on to show how cultural patterns emerge under capitalist social relations through socially shared, mimetic *habits* that become associated with “common sense” and take on the appearance of being objects

and functions we “cannot live without.” It is, however, by virtue of a confusion between wants (i.e., desires) and needs (i.e., necessities) that both market life—inherently unsatisfying in its requirement to keep exchange, and thus lack-fulfillment, in constant motion—and the desire inherent to social necessity are revealed as self-defeating traps that can never truly provide fulfillment. Thus I conclude this section with the simple, if crucial, observation that social necessity is the negation of social freedom, and thus that the VC process is inherently and emphatically political.

In the final section of this chapter and dissertation, I address—at last—the meaning of value (E/E') in the general formula for VC, arguing that it may be defined as *socially necessary contracted space-time*. In presenting my case, I characterize this definition as a critical supplement to (and not rebuttal of) Marx’s definition of value as socially necessary *labor time*. It is, I claim, the emergence of the “user” and the diminution of *effective* demand as a requirement for accumulation that invokes this supplementation. In the same way, I show, VC is essentially a critical supplement to capital; it does not violate or invalidate capital’s laws but extends and overcomes its contradictions in order to intensify capitalist accumulation. Most specifically, it is by virtue of exit that VC is able to profit from overaccumulation, crisis, delayed realization and a host of other tensions that would otherwise destroy capital accumulation and growth.

I: A WORLD OF ABUNDANT SCARCITY

Fulfillment's Production of Lack: Reversing Causality

Open almost any textbook on introductory economics and you will find it takes its point of departure in the same or similar assertion: the two most fundamental principles of economics are *scarcity*, a situation “in which goods are limited relative to desires,” and (allocative) *efficiency*, implying “that the economy’s resources are being used as effectively as possible to satisfy people’s desires.”¹⁴⁴³ The second principle presumes the first, and both statements presume that “the economy” exists as an *a priori* ontological fact rather than as a twentieth-century construction.¹⁴⁴⁴ The ideological work inherent to this triple assumption (scarcity, efficiency, and a definite article known as “the economy”) is arguably all specific to the capitalist mode of production and thus reveals various contradictions that find their apex in the VC process and mode of accumulation.

Abundance, for instance, is the enemy of capital, for if the world were abundant then there would be no need for *new* consumption. Capital could not *expand*. At the

¹⁴⁴³ Paul A. Samuelson and William D. Nordhaus, *Economics*, 19th ed, The McGraw-Hill Series Economics (Boston: McGraw-Hill Irwin, 2010), 4, 13.

¹⁴⁴⁴ Timothy Mitchell has argued persuasively that “the economy” as a definite article is a twentieth century construction borne amidst crisis. “The” economy was preceded by “economy,” whereby the latter denoted a practice akin to the way in which we (previously at least) used the word “government.” It is in the context of Keynesian orthodoxy that the idea of “the economy,” a closed or fixed entity that could be managed emerged, and with it the modern discipline of economics. As I aim to show, this closed or fixed conception of the economy is torn asunder by the VC process of accumulation. See Timothy Mitchell, “Fixing the Economy,” *Cultural Studies* 12, no. 1 (January 1, 1998): 82–101, <https://doi.org/10.1080/095023898335627>; Timothy Mitchell, “The Work of Economics: How a Discipline Makes Its World,” *European Journal of Sociology / Archives Européennes de Sociologie / Europäisches Archiv Für Soziologie* 46, no. 2 (2005): 297–320.

same time, the idea of abundance and capitalism's ability to deliver it underpins its claims to legitimation. Capitalism progressively delivers us more of the things we want, and our generation has never been so well lavished with the fruits of its protagonist's labors, just as the next will be even better endowed. On the other hand, because of scarcity, the resources available in the world have to be managed efficiently, for which capital (which can bear no waste for fear of losing profit) employing the market mechanism is superior to all other forms of economic organization.¹⁴⁴⁵

Efficiency, however, is also problematic for capitalism, for despite the claim that efficiency is a necessary economic "fact" to meet the economic "fact" of scarcity, *innovation*, upon which capitalism depends in order to expand and progress, is inherently inefficient, requiring all sorts of waste in relation to the uncertainty of success (or failure) and the destruction it must supposedly inflict via the act of creation (e.g. Schumpeter's "creative destruction").¹⁴⁴⁶ In short, abundance, scarcity, and efficiency are all contradictory features of capitalism. In this chapter, I want to argue that VC negates them all, including the concept of "the economy" as a closed and manageable concept.

To make this argument, I must begin by addressing the question of precisely how it is that fulfillment produces the lack upon which it depends. In the last chapter, I introduced the notion of "fulfillment first" and put forward the idea that fulfillment

¹⁴⁴⁵ The subtext, of course, is that in a communist-socialist economy, scarcity would not be handled efficiently due to inefficiencies of bureaucratic central planning, and abundance would be nothing but an ever-vanishing wishful horizon.

¹⁴⁴⁶ "[H]istory is [a] powerful confirmation that excessive pursuit of efficiency is the enemy of innovation." William H. Janeway, *Doing Capitalism in the Innovation Economy*, Second (Cambridge, UK: Cambridge University Press, 2018), 142.

(especially by VC-backed entities) produces and precedes its own lack. The focus of my discussion, intended as it was to address the agents of VC, intentionally lent towards the fulfillment rather than lack. In this chapter I aim to shift focus to the latter.

The mechanism by which fulfillment is able to precede lack is a form of backward narration, or what Naseem Taleb has referred to as the “narrative fallacy.” It is a post-hoc rationalization of events (fulfillment in this instance being an “event”) that writes (or positions) causes to meet various effects, thus producing a coherent, backwardly formed narrative.¹⁴⁴⁷ Fulfillment appears to fulfill a lack, and the¹⁴⁴⁸ lack which the consumer now experiences (or has had fulfilled) appears to have preceded the event of fulfillment. To give an example, one of the VCs I interviewed (who opted to remain anonymous) articulated the view that social media for short-format videos was, prior to its advent, both obvious and inevitable—it was a lack in the market that had long demanded fulfillment. The fact it was TikTok’s and Instagram who were successful in this MS was merely due to their vast capital resources and speed to market. And yet, speak to anyone who uses these services and almost no-one was

¹⁴⁴⁷ Taleb’s discussion is not strictly focused on events such as product-based fulfillment, but rather on highly impactful unforeseen events known as “Black Swans.” While *some* products may be characterized as such, I would argue this is not the norm. Nevertheless, the concept of a narrative fallacy applies to the situation I am describing. Elie Ayache, a trader-cum-academic makes similar claims, using implied volatility (a complex equation used by traders to predict market volatility) as an example of effects (i.e., market prices) writing their own causes (i.e., market volatility). For a more detailed discussion, see Nassim Nicholas Taleb, *The Black Swan: The Impact of the Highly Improbable* (New York: Random House, 2010), 62–84; Elie Ayache, “In the Middle of the Event,” in *The Medium of Contingency*, ed. Robin Mackay (Falmouth, UK: Urbanomic, 2015), 19–33.

¹⁴⁴⁸ They compared it to the Gutenberg press, though I am not sure how either the Gutenberg press or short-form streaming media were “obvious.”

demanding them prior to their invention. Now, for many users, it is a dangerous addiction, something they feel they can hardly live without.¹⁴⁴⁹

To understand this, we need to take stock of the contradiction between scarcity and abundance noted above, to consider the idea that scarcity does not need to be real but only credible for capitalism to function.¹⁴⁵⁰ In just the same way, pre-existing lack need not be real, only credible. The value of scarcity or lack, once fulfillment has been initiated, is to contribute to growth (G) and thus valorization (E') by instigating FOMO. The artificial construction and maximization of lack is thus incentivized as a means of capital accumulation, and because VC is oriented towards novelty and innovation, it is also necessarily oriented towards projecting narratives of widespread lack that can and will be fulfilled by its portfolio firms' product offerings. For example, FOMO is the entire basis of cryptocurrency markets (which are, intentionally or not, modeled on the equity-growth relationship). Cryptocurrency's value proposition began with the claim that government-issued money was broken and somehow lacking, leading people of a certain political persuasion to flock to cryptocurrencies such as Bitcoin as an alternative to fiat currency. But then, cryptocurrencies, which were originally intended as a unit of account and medium of exchange, by virtue of this interest began to rise in value—they became a *store of value*, fulfilling their role as a fiat currency alternative. As a result of this value growth, the narrative shifted: suddenly, if you did not possess cryptocurrency

¹⁴⁴⁹ Fareed Zakaria, "Opinion | TikTok Is Dangerously Addictive. We Should Regulate It Now.," *Washington Post*, April 14, 2023, <https://www.washingtonpost.com/opinions/2023/04/14/tiktok-teens-mental-health-regulation/>.

¹⁴⁵⁰ Todd McGowan, *Capitalism and Desire: The Psychic Cost of Free Markets* (New York: Columbia University Press, 2016), 197.

you were supposedly missing out on the opportunity to gain overnight wealth. And so the growth cycle continued, all based on the concept of lack. The product, in this case cryptocurrencies along with their ancillary services (e.g., exchange brokerages, wallet services), created FOMO—socially viral lack—and then alleviated the “pain” of FOMO (i.e., the “fear”) through consumption of the product (the fulfillment).

On a broader scale, *any* form of disruptive innovation employs the same mechanism of backward narration: what you already have, your existing products and services and lifestyles, are *inefficient* and thus *lacking* when compared to this new product—moreover, they have *always* been lacking, and product “x” is here to finally solve the problem, once and for all.

Psychoanalytic interpretations of this phenomenon suggest the reason it works is because supply (i.e., fulfillment) gives material substance to the primordial “lost object” of the subject—the object that, say psychoanalysts (and especially Lacanians), is the basis of human desire.¹⁴⁵¹ That is, production is able to fill a void (i.e., lack) that it has itself created because that void already exists in the fantasy space of the consuming subject. By producing something of substance, it gives credence to the fantasy; it makes the lack also appear substantial. This is the basic mechanism of product iteration and the reason that HC is so important to growth (G) in the general

¹⁴⁵¹ The “lost object” pertains to basic biological development in infants that is sublimated into unconscious and subsequently conscious thought as the subject develops and matures. This lost object is postulated by psychologists as the breast, the mother, and so on. It is generally agreed to be a fantasy object, however, one that has no substance aside from in the subject’s consciousness and unconscious. It is the constant sense of lack that drives human desire, moves humans forward, striving for something outside of themselves. For Todd McGowan, capitalism is effective because it provides us with objects that act as a false (and unsatisfactory) substitute to objet a. But having never been satisfied, we continue to seek out more and more of the objects capitalism has teased us with. McGowan, 26.

formula for VC. The ability to create products quickly, creatively, and consciously, is the means by which new lack is produced *retroactively*. Every new product is an indictment of the previous product, a recharacterization of what currently exists as insufficient—and yet the obvious truth that even this new product is not really fulfillment, that it is also an insufficient means of satisfying the subject’s “constitutive” lack, is never addressed. It is a narrative of seduction that the consumer falls for over and over again. The ironic effect is that the appearance of plenty (abundance) creates the perception of lack (scarcity). It is the production of the desire for production.

Fulfillment, then, creates its own lack by altering the menu of choices available to a consumer. Its very existence presents a new choice that renders the old choice (or set of choices) as inherently lacking. As a singular product offering, however, the new superior choice renders *all* other choices problematic.¹⁴⁵² Thus the general “problem” becomes manifest (see Chapter 5) concomitant to the singular proprietary solution (fulfillment). A general problem is transmuted into a particular solution. The effect, then, is to lead the consumer to a decision they didn’t make; to produce an outcome based on a “non-decision”; to make it obvious that what they have is insufficient and that, whether they can obtain it or not, what they want will remedy that situation. When executed successfully, this act produces the inevitability of desire.

This is a highly strategic maneuver designed to obtain power over the consumer. In the classic advertising text *The Strategy of Desire* by Ernest Dichter, a work that

¹⁴⁵² i.e., *this* product negates all those other products and ways of being. See Ian Hudson and Mark Hudson, *Consumption*, Cambridge, UK (2021: Polity Press, n.d.), 72–73.

pioneered the application of psychoanalytic techniques to business strategy, Dichter is unequivocal: “If you make a decision, you give away power. There’s something very closely resembling this in the problem of giving ‘As long as I haven’t given to you, you’ll keep on wooing me ... why give up this very desirable state?’”¹⁴⁵³ The goal, then, is to produce a situation of lack and relative non-decision such that a decision is taken favorable to the agent who created the lack for the other in the first place; it is strategic in that it creates power over the other. That power is the power of desire (lack seeking fulfillment) which, as Michel Foucault teaches us, is not merely repressed under the power relations of capitalism, but actively created.¹⁴⁵⁴

Therefore, as foreshadowed in earlier chapters, the strategy of producing lack is the strategy of changing the world not so much through its objective as its *subjective* conditions. The VC process is fundamentally oriented towards innovating the consumer’s mind; it is incentivized, in order to ensure that the creation of novelty finds an audience, to change consumer’s minds such that they are positioned relative to the object, rather than the object relative to the consumer.¹⁴⁵⁵ VC’s power lies in its ability to harness ideal rather than material reality. And yet, the result is a change in the material practices of consumers, animated as they are by newly formed desires that it appears to the subject were always there lying dormant.

¹⁴⁵³ Dichter, *The Strategy of Desire*, 142–43.

¹⁴⁵⁴ McGowan, *Capitalism and Desire*, 10; Michel Foucault, *The History of Sexuality: Volume I: An Introduction*, trans. Robert Hurley (New York, NY: Vintage Books, 1990), 5.

¹⁴⁵⁵ W. Chan Kim and Renée Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* (Massachusetts, USA: Harvard Business Review Press, 2015), xiii; Al Ries and Jack Trout, *Positioning: The Battle for Your Mind* (New York, NY: McGraw-Hill, 2001), 3.

If and when consumers are changed, they flock from the old to the new, actively seeking out that which is different. The old, shown to be lacking, is not just relegated to second choice, but discredited (thus negating any reversal on the part of the consumer back to the old product—thus making innovation inherently *progressive*).¹⁴⁵⁶ The old has not been *competed* out of business, but rendered obsolete. By producing fulfillment in order to create lack, the fulfillment object changes the world; it changes consumers within the world so that they suddenly lack the things produced. VC-backed entrepreneurship is about the production of minds, rather than products. Consumers are, as such, the product.

This claim has immense implications. In a world of advanced capitalism, where consumption habits have already become imbricated with expressions of social identification (i.e., recognizable selfhood) and it has become socially necessary to consume in various ways, consuming the most popular and “trendy” objects (because that’s what *others* do) is what individuals must do also in order to be part of that society.¹⁴⁵⁷ But if the lack inherent to this system of social identification is driven through the fulfillment choices of SVC’s agents, then the way that society identifies and expresses itself is also being decided by this same clique. Moreover, how social

¹⁴⁵⁶ Anecdotally speaking, I have had many friends who have expressed the sentiment, or actually attempted to reverse the trend towards smartphones and the constant connectivity this necessitates, by reverting back to older cell phone—though, of course, the cell phone is itself a relatively recent innovation. They have invariably failed. Society simply cannot allow for such archaism, just as the possibility of going back to a land line is practically impossible because houses no longer provide that infrastructure. Progress is a one-way non-decision.

¹⁴⁵⁷ Glenn Morgan, “Marketing and Critique: Prospects and Problems,” in *Studying Management Critically*, ed. Mats Alvesson and Hugh Willmott (London, UK: Sage Publications, 2003), 121–22.

identity is expressed is no longer a matter of decision—it is a non-decision driven by desire.

The Promise

Underpinning the notion of lack-fulfillment I have been describing, despite its basis in a form of backward narration, lies an inherent orientation towards the future. The essence of this future orientation is what Todd McGowan describes as “the promise”; the claim inherent to the discourses of both capitalism and innovation that the future will *reward* you for accepting their existence and everything their existence might offer.¹⁴⁵⁸ As the fraction of capitalism most single-mindedly oriented towards innovation, VC is deeply infused with the notion of the promise. The promise is not just a relation between the (v)entrepreneur and the consumer, but between the (v)entrepreneur and the GP, and the GP and their LPs.

The promise is the entire basis of a pitch given to a VC by a (v)entrepreneur—it is not reality that is presented, but a promise to realize some future reality, a premature truth that can actualized and made true only with the VC’s financial, reputational, social, and cultural capital. The VC in turn promises the (v)entrepreneur that with their backing they will achieve superior growth (G), having already promised their LP backers that they will return their own invested capital at a rate exceeding the PME. Everything is held together by a future-oriented promise.

¹⁴⁵⁸ McGowan, *Capitalism and Desire*, 12–13.

However, it is in the present and past that the future-oriented promise actually does its work, for the function of the promise is to critique and thus impoverish that which already exists. The promise is an act whereby satisfaction with the present is foreclosed and made unsatisfactory. The future is made desirable, because the future can offer fulfillment to what the present suddenly appears to lack. It is accordingly the promise that underpins VC's techno-optimism. Put differently, techno-optimism is little more than veiled pessimism concerning actually existing conditions. When it does address the past, it does so in triumphant tones. Consider Andreessen's techno-optimist manifesto:

“We had a problem of starvation, so we invented the Green Revolution.
We had a problem of darkness, so we invented electric lighting.
We had a problem of cold, so we invented indoor heating.
We had a problem of heat, so we invented air conditioning.
We had a problem of isolation, so we invented the Internet.
We had a problem of pandemics, so we invented vaccines.
We have a problem of poverty, so we invent technology to create abundance.
Give us a real world problem, and we can invent technology that will solve
it.”¹⁴⁵⁹

What is most revealing about this text is its orientation towards the past *as past*; as if starvation, darkness, cold, heat, isolation, pandemics, and poverty are things of the past

¹⁴⁵⁹ Marc Andreessen, “The Techno-Optimist Manifesto,” *Andreessen Horowitz* (blog), October 16, 2023, <https://a16z.com/the-techno-optimist-manifesto/>.

when even in the most affluent countries this is not universally the case. His techno-optimism reveals its class basis, its basis in SVC.

Of course, this class basis must be legitimized, and it is here that the promise is most effective: the promise invests its audience in the future, and in doing so ensures that the same audience are invested in the basic rules of both capitalism *and* innovation. The necessity of progress invoked by the impoverishment of existing conditions implies the necessity of innovation, while innovation's dependence on commercialization implies the necessity of capital. By accepting the critique of the present inherent to proclamations of techno-optimism on the one hand, and by the mere appearance of the object of fulfillment on the other, the consuming audience has tacitly acquired capitalist "skin in the game"—their future depends upon VC, for only VC can deliver on the promise.¹⁴⁶⁰

A promise, then, is a claim about future fulfillment that produces expectation, but that expectation is little more than an empty space of potentiality (a lack) that *demand*s realization and actualization. Consider by way of example how the definition of "the problem" (Chapter 5) works in this regard. The (v)entrepreneurial agent (re)defines a general problem for society (or, at least, a community within society, depending on the TAM) so that society will demand its solution. The problem has created empty space and the *potential* for a "fix." The promise is thus a pre-ordained image of the future—it promises precisely what is wanted because *it* created the want in the first place. It is the product, this specific product, that promises that fix: Tell

¹⁴⁶⁰ McGowan, *Capitalism and Desire*, 13.

people “taxi service usually sucks,” then offer them Uber as an innovative solution;¹⁴⁶¹ tell them vaccines “suck,” then offer them Moderna mRNA; tell them trucks “suck,” then offer them Rivian (or Tesla); tell people dating “sucks,” then offer them Bumble or Tinder or Grindr; tell people business to business (B2B) payments “suck,” then offer them Stripe. In each case, it is the “then,” part of the conditional clause, that operates with backwards causation on the main clause. Telling people “x” “sucks,” is thus better stated: “I have created product ‘y,’ and because of that ‘x’ now ‘sucks.’”¹⁴⁶²

Making the Subject Go

The SVC design consultant and investor Nir Eyal, drawing on a medical study published in *Neuroreport*, argues that “what draws us to act is not the sensation we receive from the reward [i.e., fulfillment] itself, but the need to alleviate the craving [i.e., lack] for that reward. The stress of desire in the brain appears to compel us.” Stated differently, the “stress of desire” so manufactured by novelty does not simply operate on the *minds* of its consumer targets, but as a direct consequence also compels them to *act*. To understand the implications of this, consider the following quote taken from elsewhere in the same work: “[o]nce a technology has created an association in users’

¹⁴⁶¹ "For potential customers, categories [problems] become an organizing principle. The public comes to understand the problem that's been defined [for them], and then demands a product or service that solves it." Al Ramadan et al., *Play Bigger: How Pirates, Dreamers, and Innovators Create and Dominate Markets* (New York, NY: Harper Business, 2016).

¹⁴⁶² Behavioral economics effectively confirms this claim by asserting that while consumer satisfaction is difficult or impossible to measure and cannot be used as a predictor of future behavior, nevertheless increased consumption is the means by which satisfaction can be obtained. Stated differently, to reveal the contradiction: consumer satisfaction cannot be determined, but it *can* be fulfilled. Ilan Kapoor et al., *Global Libidinal Economy* (SUNY Press, 2023), 45.

minds that the product is the solution of choice, they return on their own, no longer needing prompts from external triggers.”¹⁴⁶³

It is, we have seen, through a critique of the present and the invocation of lack that, however facile the fulfillment may be, the consuming subject is provoked into restlessness. It is the absence of the object that animates the subject—the “craving,” as Eyal puts it. And yet, there are arguments to suggest that it is the *chase* of fulfillment, rather than actual fulfillment, that satisfies the consuming subject, that it is in the promise itself and the animation that this invokes that the consumer finds themselves least dissatisfied.¹⁴⁶⁴ If true, this is rather convenient, for under the continuous expansion necessary to capital and the continuous creation of novelty necessary to VC, it is essential that the subject remain at least partially unfulfilled, for otherwise the subject would have no incentive to act—to “go.”

Crucially, however, Eyal’s claims above are that this entire process must, if it is to be effective, be constructed in terms of habitual, rather than conscious behavior. That is, as has been suggested throughout the argument in this chapter, the entire process animating the subject, to ensure the consumption of novelty takes place, must be a function of desire rather than rational thought. Stated differently, by invoking the consumer’s desires through the production of lack, the consumer has been denied the opportunity to make a decision. Our consumption is, as much as is possible, rendered

¹⁴⁶³ Nir Eyal, *Hooked: How to Build Habit-Forming Products* (New York: Portfolio/Penguin, 2014), 51,97; For the original study, which employed magnetic resonance imaging to gather its findings. see Brian Knutson et al., “Nucleus Accumbens Activation Mediates the Influence of Reward Cues on Financial Risk Taking,” *Neuroreport* 19, no. 5 (March 26, 2008): 509–13, <https://doi.org/10.1097/WNR.0b013e3282f85c01>.

¹⁴⁶⁴ McGowan, *Capitalism and Desire*, 15.

habitual, so that we unthinkingly accept our motivation to seek fulfillment. In Charles Duhigg's bestselling book *The Power of Habit*, he suggests (again, drawing on academic research studies) that more than 40 percent of an average person's everyday actions are grounded in habits rather than decisions. To explain how this works, he develops a model called the "habit loop." Habits, he argues, are constructed through cravings (note Eyal's use of the same word) which are invoked by cues that offer *the promise* of reward, provided that a certain "routine" is followed (i.e., cue → routine → reward).¹⁴⁶⁵ The goal for a producer of products is to ensure that their product is the routine of choice. Consider an example. Imagine you are cued by a query, a question for which you lack the answer. You might open Google to perform a search and be rewarded with the answer. The routine was thus to use Google. But actually, it need not have been. Any search engine could have delivered the reward, but the association in your brain between the cue and the reward was, most likely, the proprietary routine known as Google. In this scenario, rather than making a decision you acted in a habitually proprietary way.¹⁴⁶⁶

Once more, then, we confront the situation of a materialist ideology, of a set of ideas that invoke material practices which in turn reinforce and reproduce those same ideas (plus any new ideas and practices feeding from them). In Louis Althusser's

¹⁴⁶⁵ Charles Duhigg, *The Power of Habit* (New York, NY: Random House, 2012), xvi, 23.

¹⁴⁶⁶ Framed so, one can see why Google is so hard to dislodge as the search engine of choice for most of the world, why it is a monopoly unlike almost any seen before or after. To disrupt Google one would have to reframe the problem of not having the answer to a question. The habit of Googling to find the answer is a relatively recent phenomenon, and yet is now integrated into most people's lives as a habit—one they might even engage in when surrounded by books as a result of the sheer convenience of having the routine do the work for you.

influential account of ideology, he explains this as the outcome of a triple subjection: (1) the interpellation of individuals as subjects (i.e., the presentation of a problem that affects the individual);¹⁴⁶⁷ (2) mutual recognition between subjected subjects (i.e., the framing of the problem as a *general* problem that affects both the individual and other members of society, its framing as socially shared lack); (3) the guarantee that the subject will receive their reward (i.e., that the problem will be solved, the lack fulfilled). He says:

“[C]aught in this triple system of subjection, universal recognition, and absolute guarantee, the subjects, unsurprisingly, ‘go’. They ‘go by themselves’ ... they recognize that ‘it’s really true’, that ‘this is the way it is’, not some other way ... they have recognized that ‘all is well’ (the way it is) ...”¹⁴⁶⁸

We are thus again presented with the legitimation of this system of production that is responsible for the very lack that animates us to seek fulfillment. Lack, which makes us “go,” expands material life by animating subjects to pursue new material practices. However, it does this on a social basis of recognition—we engage in material practices not merely as individuals, but as social subjects enacting what can now only be described as social norms. It is not merely the presence of the object of fulfillment that animates the consuming subject, but the recognition that others are, or might be,

¹⁴⁶⁷ The presentation of the problem is delivered through the various means and ways of marketing and advertising. It is through marketing and advertising that the individual is “hailed” as a subject with a problem. They are subjected to pain of lack, and thus become the subject in need of fulfillment.

¹⁴⁶⁸ Louis Althusser, *On the Reproduction of Capitalism*, trans. G.M. Goshgarian (London, UK: Verso, 2014), 197–99.

receiving fulfillment.¹⁴⁶⁹ This is the mechanism by which value expands through the novelty of VC and is limited only by the potential expanse of that socially shared lack (which, because invoked by a fulfillment object delivered through market exchange is synonymous with the expanse of MS).

We have come, then, upon a crucial feature of the capitalist system in general and of VC in particular. It is through lack that new “value” can be created in the world. By creating lack, a “space” (e.g., an emptiness) has emerged that may be (ful)filled. We might represent lack, for example, as -1, as a negative value, and fulfillment as 1, a positive value. This constitutes a value opportunity for both the subject, who is lacking, and for the producer who would fill it. Presented in reverse, it appears that fulfillment (which initiates the process) is 1, a positive valence, and that not having fulfillment now becomes a negative valence (-1). The existence of fulfillment means the unfulfillment is lack. Fulfillment changes reality—it empties reality of value and offers itself up as a replacement. The consuming subject places value on this new means of fulfillment, and the producer obtains value in exchange for performing this fulfillment. When lack becomes socially shared, value becomes a social proposition. Value *expands*.

On the other hand, when self and social identification are tied to consumption (as described above) through the attempted fulfillment of constitutive and fulfillment-initiated lack, then the desire for the product becomes the desire to persist *as oneself*. The desire to consume any given proprietary object becomes an ontological necessity

¹⁴⁶⁹ McGowan, *Capitalism and Desire*, 32.

rather than mere whim. Thus value not only expands, but “sticks.” The value proposition, still grounded in wants, becomes a form of need: it becomes necessary for social recognition (both of the self, and of the self as a social other). Consider the example of how various “apps,” such as Nextdoor (social media for neighbors), Citizen (social media for crowdsharing reports of actual or potential crime), and Ring (doorbells with live streaming video capabilities) are designed to generate panic or outrage (i.e., fear, pain, insecurity, all “lacks”) in its consumers, thereby guaranteeing that they will respond to and obsess over the product’s content.¹⁴⁷⁰ Even if you do not consume these products, it is in their nature that the lack they invoke be shared with others. When a neighbor thus informs you, in person or via some other product (e.g., social media) of their panic and anxiety, they share that panic and anxiety with you because, as their neighbor, this is your panic and your anxiety also. Thus, you too become lacking and in need of Nextdoor, Citizen, Ring, and so forth. But critically, it is this unwelcome sharing of information that materializes lack and invokes a shared investment in the proprietary routine (i.e. the product) that makes one a *good* neighbor (the good social subject) in the first place. It is the willingness to share this lack as a neighborly good deed—as part of a neighborhood community that “watches out for one another”—that the lack becomes socially shared and accepted as a normal feature of the world. Once panic and outrage have become general shared features of a

¹⁴⁷⁰ Haje Jan Kamps, “The Perils of the Platforms of Paranoia,” TechCrunch, September 7, 2023, <https://techcrunch.com/2023/09/07/platforms-of-paranoia/>.

community in this way, the routines used to interact become not merely desirable, but *necessary*.

Needing what is Wanted

The example just given is but one to which we might add many. EVs, for example, are becoming socially necessary not merely because of a growing social indictment of petroleum-based vehicles, but because the political sphere is progressively acting to introduce legislation outlawing them in various jurisdictions. SpaceTech, on the other hand, is being vaunted as socially necessary for a multitude of reasons: environmental or social collapse necessitating interplanetary colonization and migration; aging populations and the growing demand for organ and tissue transplants necessitating microgravity conditions to better “grow” new organs from stem cells; the increasing depletion of natural resources necessitating asteroid mining, and so on.

In each case the investment appears to the subject not merely as an investment in a desirable future, but a socially necessary one—an inevitable future of lack that demands fulfillment. However, this assertion immediately presents a paradox. VC relies on novelty, on the new and on constant expansion, and needs (i.e., necessities) are relatively if not absolutely limited.

The key to demystifying this situation is in the recognition that while human needs may be finite, wants—*desires*—are infinite. Put differently, beyond basic sustenance, shelter, clothing, and social interaction, all lack is historically and socially

contingent. The “trick” (if we may call it that) is to ensure that wants are never fully detached from needs, that they always somehow “touch base” with necessity, however facile or contrived the connection may be.¹⁴⁷¹ The desire for social media taps into our basic *need* for social attachments; the desire to upgrade to an EV taps into our basic need for a clean and sustainable environment, and so on. As the introductory vignette of Albert Wenger demonstrated, VCs are well aware of this category mistake between needs and wants (and, arguably, of the imperative to connect them).

How, though, can wants be rendered as needs? How can wants be made *necessary*? One way to answer this question is by considering philosopher Harry G. Frankfurt’s claim that needs emerge within certain *contexts*. A context, Frankfurt argues, can create a need, even though that need cannot be understood as a “natural” need.¹⁴⁷² Crucial for my argument here, he suggests that needs may depend on desires, and that by consequence necessity may be driven by context. You may *want* to pursue a project, he says, but then discover you *need* a particular item in order to complete that project.¹⁴⁷³ Reframing this example to meet the social context I am arguing for here, we might also say: you may *want* to engage in a social practice (a norm), but then discover that you *need* a particular item in order to engage in that social practice. Or, stated differently, social necessity may be context driven in a way that natural necessity is not.

¹⁴⁷¹ Ries and Trout, *Positioning: The Battle for Your Mind*, 5.

¹⁴⁷² Harry G Frankfurt, “Necessity and Desire,” *Philosophy and Phenomenological Research* XLV, no. 1 (1984): 2–3.

¹⁴⁷³ Consider the parallels in this example to my example of the Google search above.

This returns us to the notion of the habit loop: the reward is what you *want* but the routine to receive it is *necessary*. Bizarrely, it becomes the routine, rather than the reward, that is the object of fulfillment. The object of fulfillment is not an *end* (even though that is what we seek) but a means to an end that we may never obtain. This is how we may be fulfilled but never fully satisfied. Our needs are always met, but our desires are not. This is what keeps us consuming. This is what makes any given product consumed to fulfill a desire appear to us as necessary rather than desirable.

Thus, returning to the notion of the promise, to the inherently lacking present that demands a socially desirable future, we can see how any account of a socially desirable future, when instigated by a necessary means of fulfillment, can appear to us as not merely socially desirable, but as socially *necessary*. The product object of novelty is the object of social necessity; desire, with its capacity to manifest an infinite number of wants, has been reduced to necessity. The future embedded within the promise has been effectively preordained.

II: THE STRATEGIC (DIS)APPEARANCE OF EFFICIENCY

The Contradictions of Future Necessity

The idea of future necessity, social or otherwise, presents an apparent contradiction. The future, almost by definition, will always be different from the present and the past. The future implies new events, some of which are foreseeable, others not, and in each

case the character of those events prior to their realization will be potential rather than actual. Future events can, at best, be assigned probability distributions based on *known* possible worlds, and while unknown possible worlds can also be factored in this can only be in a highly limited sense given the indeterminacy of their character and scope. It is not only possible but likely that any prognostication about the future will in some way diverge from its actualization, if only because variables of reality are all but infinite. If nothing changed in the future, there would be no new events; time would stop. Change is thus the only certainty we have about the future.

These observations imply that contingency, uncertainty, and risk constitute the essential basis of all future action. This in turn suggests that the notion of future necessity can be based on nothing but appearance. It may be necessary that in the future gravity continues to stay constant on Earth, and it is highly probable that it will. But that does not mean it must, and in fact over time it is projected that changes to the sun's energy ratio *will* change gravity's force on Earth. Nevertheless, these are *natural* necessities, and my focus here is on *social* necessity. While natural, physical laws can demonstrate stability over hundreds of billions of years, social laws (e.g., norms, customs, political apparatuses) change almost constantly.

One of the major bases for such change is the caprice of human desire, which is tempered only by the necessity in social communities for some level of agreement—if not over stability, then over the rules for how change is to take place. What any given individual wants must be measured against what the society they live in wants as a collective. This applies as much to the tyrannical despot who must, through fear or

violence, repress dissent to ensure their sovereign will is observed by the populace, as to the modern institution that, Foucault has compelling argued, maintains social order *not* through the repression of divergence but through the production of compliance.¹⁴⁷⁴ In either case the point remains the same: individual desire is tempered by social desire.¹⁴⁷⁵

This argument becomes relevant to VC due to the fundamental fact that VC-backed entrepreneurship, as I have attempted to show, operates primarily on social desire and on its potential for constant reconfiguration and expansion. However, part of the reason VC is able to find new and untapped value by instigating and modifying desire is due to the inconvenient detail that desire essentially stands astride the bounds of capitalist totality and any possible conceptualization of “the” economy. Desire escapes capital just as it is the core means by which infinite wants may be produced from finite needs. Desire taps into material life in ways that capital cannot otherwise penetrate (see Chapter 4). It is via the infinitude of desire, however, that the finitude of material need is able to be re-presented to the consuming subject in ways not otherwise

¹⁴⁷⁴ Much of Foucault’s work follows this same line of argument, however, the most pertinent study for the point I am making is his work on the birth of the modern prison, *Discipline and Punish* (especially Chapters 1, 2, and 3). Not only does Foucault explicitly compare and distinguish between the violent power of the despotic sovereign and the seemingly humane disciplinary regimes of modern prisons (and other institutions such as schools), but he also articulates a transformation in power through which individual desire (although he does not emphasize that term) becomes the target of power as a means of converging social desire into a particular form of “normality” and common sense. Similar to my own argument, it could be argued that disciplinary mechanisms Foucault describes are a mode of fulfillment that then render any deviation from the norms they are imposing as somehow lacking, as *divergent* and undesirable, and thus in need of (disciplinary) remedy. See Michel Foucault, *Discipline and Punish* (London, UK: Penguin Books, 1977).

¹⁴⁷⁵ There are many political theories that frame and address this situation in different ways, not least of all the various versions of social contract theory given by figures such as Thomas Hobbes, Jean-Jacques Rousseau, or John Rawls. While each takes a different conclusion from this situation, each is fundamentally grounded in the same premise: the need to balance individual and collective desire.

determined by natural necessity. That is, it is via desire that natural necessity is reframed in terms of social necessity.

This is why innovation (and not just “technology”) is a necessary precondition of VC investment: innovation is the means by which material reality is altered (either in appearance or actuality). Whether it be via an organizational innovation such as the “lean” methodology, the commercialization of basic research such as mRNA, or the development of an addictive algorithm such as that used by TikTok, the result is the same: material life is altered, and the promise invoked. The present is critiqued in favor of the future and the absence of the product is critiqued in favor of its presence.¹⁴⁷⁶

Nevertheless, because desire constitutes one of capital’s many “lines of flight,”¹⁴⁷⁷ because it always possesses the potential to *escape* or remain simply unharvested, it represents a field of uncertainty. On the one hand, this is its value. Because uncertainty is by definition unknowable, it has no known limits—its potential is infinite as is its capacity to offer an inexhaustible supply of value. Additionally, because of its inherent danger, uncertainty is the road less actively traveled, the territory less actively pursued, and thus, when bountiful, a prize that can be captured with few (if any) challengers. It is, alongside labor exploitation, a source of surplus value realized as profit. On the other hand, uncertainty presents a seemingly insurmountable

¹⁴⁷⁶ If you are in possession of the product, or actively using it, then the critique no longer applies—nor need it, because the consumption act has taken place. As soon as you stop using the product, however, the critique is reactivated. This is the basis of habit, craving, compulsion—of social necessity.

¹⁴⁷⁷ Gilles Deleuze and Claire Parnet, *Dialogues II*, trans. Hugh Tomlinson and Barbara Habberjam (New York: Columbia University Press, 2007), 36–37, 50.

problem for capital—the potential for value *loss*. How, then, is VC able to produce necessity and inevitability from a field of contingency and uncertainty?

Knightian Profits: Risk and (Un)certainity

The VC value proposition is based on a simple fact already established—that change is certain rather than uncertain. The future is uncertain but will certainly involve change. Betting on change is what VCs do. Comparing the “Sand Hill Road” (i.e., VC) and “Wall Street” styles of financial speculation, Marc Andreessen says the following of Warren Buffet:

“[E]very time I hear a story like See’s Candies [one of Warren Buffet’s most successful investments], I want to go find the new scientific superfood candy company that’s going to blow them right out of the water. We’re wired completely opposite in that sense. Basically, he’s betting against change. We’re betting for change. When he makes a mistake, it’s because something changes that he didn’t expect. When we make a mistake, it’s because something doesn’t change that we thought would.”¹⁴⁷⁸

Thus, from a VC perspective, as based on the VC process, the only “loser” strategy is one that pursues stasis or continuity (which, ironically, is the basis of necessity) in a world of change. Reid Hoffman frames this as a problem not so much of *uncertainty* but *risk*. He says:

¹⁴⁷⁸ Quoted in Tim Ferriss, *Tools of Titans* (New York, NY: Houghton Mifflin Harcourt, 2016), 175.

“Risk is the flipside of every opportunity ... in a changing and increasingly unpredictable world, succumbing to complacency is one the riskiest things you can do. Inaction is often much riskier than action ... you should develop the skill of taking intelligent risks. It’s a rare skill, but a necessary one. It’s what allows you to seize those breakout opportunities ...”¹⁴⁷⁹

Hoffman’s claim is well supported by other accounts of VC and entrepreneurship. Management guru Peter Drucker, for instance, in his influential work *Innovation and Entrepreneurship* argues that if there is one feature that defines entrepreneurs, contrary to popular belief, it is that they are *not* risk-takers. “They try to define the risks they have to take and to minimize them as much as possible. Otherwise none of us could have succeeded ... if I had wanted to be a risk-taker, I would have gone into real estate or commodity trading.”¹⁴⁸⁰ The invocation of commodity trading, the bread and butter of Wall Street speculation that Andreessen suggests is the *opposite* of VC, is telling. VCs do not actively pursue risk; they are, along with the (v)entrepreneurs they invest in, risk *minimizers* operating in a field of certain change. Thus, the strange result is that to minimize risk, VCs and (v)entrepreneurs operate in a domain of change and uncertainty (which is certain) rather than the domain of stasis and certainty (which is uncertain)—the former, remarkably, offers *less* VC investment risk. Why? Because VC

¹⁴⁷⁹ Reid Hoffman, “How to Think About Risk,” *LinkedIn* (blog), July 12, 2022, <https://www.linkedin.com/pulse/how-think-risk-reid-hoffman/>.

¹⁴⁸⁰ Peter F. Drucker, *Innovation and Entrepreneurship* (New York, NY: Harper & Row, 1985), 139.

and VC-backed entrepreneurship are entirely based on the *promise*, on the *future*, and the future is guaranteed to be marked by change, rather than stasis.¹⁴⁸¹

To understand the claims I am making, it is necessary to understand Frank H. Knight's canonical distinction—often cited in VC scholarship and by academically-minded VC practitioners—between risk and uncertainty. Uncertainty, for Knight, constitutes radical unknowability, whereas risk pertains to probability distributions calculated from known possibilities. Risk is quantifiable, uncertainty is not.¹⁴⁸² This is why, argues Knight, theoretical models in economics do not account for uncertainty, and why as a consequence they do not reflect how concrete economic activity unfolds.¹⁴⁸³ For Knight, it is uncertainty rather than risk that is responsible for the bulk of potential profit (i.e., surplus value).¹⁴⁸⁴ Certainty, he argues, implies perfect knowledge and is the basis of nearly all theoretical models in economics. However, perfect knowledge implies perfect competition, and perfect competition implies all

¹⁴⁸¹ Wall Street style speculation is also based on the future, however, it places its bets on the side of stasis rather than change. It does this by distributing its “bets” in a dissimilar way to VC. This shall be explained in the next section on “Long-Tail” versus “Normal” distributions. For now, it is enough to say that VC distributes its bets according to the former, Wall Street the latter.

¹⁴⁸² Frank H Knight, *Risk, Uncertainty, and Profit* (Pantianos Classics, 1921), 11.

¹⁴⁸³ In addition to uncertainty, one could arguably add power, history, and what is effectively political and social reality.

¹⁴⁸⁴ Of course, Marx has argued that the source of surplus value is labor exploitation in the production process, a topic I have intentionally avoided as it is largely irrelevant to my argument. While labor exploitation no doubt takes place at both VC firms and startups, because the core agents of this process are equity holders, much of the “surplus” value produced is returned to these agents and thus negated as “surplus.” He bulk of the surplus value for a VC-backed startup must be presumed to be derived from uncertainty, even if the profitable realization of uncertain outcomes results in the creation of massive labor markets or, as is increasingly the case, user-based labor that requires no wage relation whatsoever. For Marx's explanation of (absolute) surplus value creation through labor exploitation, see Parts I and II of Karl Marx, *Capital: A Critique of Political Economy: Volume One*, trans. Ben Fowkes (London, UK: Penguin Books, 1976).

profits will be competed away.¹⁴⁸⁵ The closer to certainty an economic opportunity lies, the lesser the potential profit; conversely, the closer to uncertainty an opportunity lies, the greater the potential profit. In some ways this is why VC, an investment practice that proudly eschews quantitative assessments in favor of qualitative and intuitive decision-making, operates with uncertainty rather than risk.¹⁴⁸⁶

But this claim is not true in an unqualified way. VCs, as much as they may operate in a field of uncertainty, are effectively wagering on the certainty of change. In a way, they are reducing qualitative uncertainty to quantitatively distributed games of *chance*. As a result, VC engagement with uncertainty increasingly begins to look like risk. To give a simple example of how this is so, we can consider the portfolio thinking inherent to VC investments that I outlined in Chapter 2. Firstly, as we know, entrepreneurial opportunities, for all their uncertainty, can be divided into two types: Schumpeterian value creation, which is highly uncertain, inherently rare, and

¹⁴⁸⁵ Peter Thiel makes an almost identical argument in his infamous *Wall Street Journal* editorial “Competition is for losers.” His argument, which I shall revisit in due course, is that competition eliminates profits and is therefore antithetical to capital, despite the widespread sentiment that capitalism is about market competition. In true “contrarian” form, Thiel argues that if market competition negates profits, and profits are the essence of capital, then monopoly rather than market competition is the essence of capitalism. As I shall show, it is when we combine Knight and Thiel’s claims that we get the movement from value creation or discovery to value capture; from future uncertainty to future social necessity. Peter Thiel, “Competition Is for Losers,” *Wall Street Journal*, September 12, 2014, sec. Life and Style, <https://online.wsj.com/articles/peter-thiel-competition-is-for-losers-1410535536>.

¹⁴⁸⁶ It is a well-established fact, put forward by VC researchers and practitioners alike, that VC investments are not based on quantitative assessments, but are rather inherently *qualitative*. There is much evidence to support this fact. For an account of this fact, see, for example: Johannes Lenhard, “Towards Fully Automated Investing? How Venture Capitalists Are Making the Economic Future Old-Fashioned,” *Anthropology Today* 37, no. 6 (2021): 25–27, <https://doi.org/10.1111/1467-8322.12690>; Ian C. Macmillan, Lauriann Zemmann, and P. N. Subbanarasimha, “Criteria Distinguishing Successful from Unsuccessful Ventures in the Venture Screening Process,” in *Venture Capital* (Routledge, 1997), 129; Scott Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It* (Penguin Random House, 2019), 42, 119.

gloriously profitable; and Kirznerian value discovery, which is less uncertain, bordering on probabilistic, but offers greater returns than traditional (e.g., stock market) investments.¹⁴⁸⁷ A portfolio can thus be populated with a mix of Schumpeterian and Kirznerian opportunities (determined qualitatively) so as to balance uncertain opportunities with those that look more like risk distributed opportunities. Secondly, statistics suggest that around one to two percent of VC investments are unicorns at the point of exit. Thus, the advice given by one VC is that the only mistake a VC firm can make is to concentrate too small a number of firms in a single portfolio (this VC suggests the average for new funds is 20 to 40 investments). By increasing the number of investments, a VC can radically increase their likelihood of investing in a unicorn. If a fund invests in somewhere between 50 and 100 firms, and unicorns emerge one to two percent of the time, the VC is, theoretically speaking, almost guaranteed to have invested in one.¹⁴⁸⁸

Asymmetrical Probabilities

Placed in the context of what we already know about the VC process, VC thus appears to have two mechanisms by which it may acquire returns in the form of profit:

¹⁴⁸⁷ Scott Shane, *A General Theory of Entrepreneurship* (Cheltenham, UK: Edward Elgar Publishing, 2003), 21.

¹⁴⁸⁸ Dave McLure, “99 VC Problems But a Batch Ain’t 1,” Medium, August 31, 2015, <https://500hats.com/99-vc-problems-but-a-batch-ain-t-one-why-portfolio-size-matters-for-returns-16cf556d4af0>.

- (1) by exploiting a field of uncertainty to create or discover new value (i.e., to produce a fulfillment object invoking lack); and¹⁴⁸⁹
- (2) by leveraging the VC process's capacity to aid hypergrowth (which emphasizes speed over efficiency) as a means of ensuring any potential competition will be outpaced,¹⁴⁹⁰ and ultimately as a means of *monopolizing* the value opportunity it has created or discovered.

While both mechanisms appear extremely inefficient—and thus contradictory to economic models—they are in fact highly strategic. They are strategic in the sense of using means and ways to achieve an end. Mechanism (1), for example, entails using a seemingly inefficient investment approach to parse uncertainty in search of value. In doing so, it is able to escape competition (perfect or otherwise) that might fragment the distribution of available profits. And yet, VC investments are patently wasteful. As we know, portfolios typically follow the Pareto principle whereby 80 percent of the returns come from 20 percent of the investments. And even this may be optimistic—Sam Altman has suggested that 97 percent of his early success (the enabler for all his later success, entirely measured in financial returns) was the result of one investment, meaning that more than 90 percent of his time was entirely unprofitable and did not

¹⁴⁸⁹ Although the discovery of value arguably lends itself to risk as well as uncertainty, uncertainty remains a key aspect of value discovery opportunities.

¹⁴⁹⁰ As soon as the value opportunity becomes less uncertain, competition will emerge to exploit it.

contribute to his subsequent success.¹⁴⁹¹ Nevertheless, this is how VC-backed entrepreneurship creates or discovers value.

Mechanism (2), on the other hand, the “blitzscaling” method, explicitly prioritizes speed (of growth) over efficiency. Through rapid growth the firm is able to be positioned first—both in VC’s minds (thus encouraging additional investment to replace the capital burned facilitating *internal* growth), and in (potential and actual) consumer’s minds (thus facilitating *external* growth).¹⁴⁹² In both cases growth (G) feeds growth (G) which in turn leads to valorization (E’). The strategic end is to obtain a monopoly position, however small, and to use that as a platform for future growth.¹⁴⁹³ Once monopolized, the value opportunity may be expanded into adjacent MS, free from the value attrition of competition. This is how VC *captures* the value it creates or discovers, which as we know is produced from lack invoked by the act of fulfillment.

How, though, do VCs parse and exploit uncertainty to find value, given that it is uncertain? The answer lies in two assumptions that VCs make, each of which may be described as assumptions of asymmetrical probability. The first of these is that in any given VC investment, the downside (i.e., loss of investment stake) is certain, while the upside (i.e., potential return) is uncertain. That is, it is certain that a VC can only ever lose 1x the amount of their investment, but it is uncertain whether the VC will

¹⁴⁹¹ Tad Friend, “The Mind of Marc Andreessen,” *The New Yorker*, May 11, 2015, <https://www.newyorker.com/magazine/2015/05/18/tomorrows-advance-man>.

¹⁴⁹² Reid Hoffman and Chris Yeh, *Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies* (New York, NY: Currency [Penguin], 2018); Ramadan et al., *Play Bigger*, 31.

¹⁴⁹³ Inefficiency helps obtain and grow monopolies: “Over the years, many have criticized Amazon for its risky strategy of consuming capital without delivering consistent profits, but Amazon is probably glad that its ‘inefficiency’ helped it win [i.e. monopolize] several key markets—online retail, ebooks, and cloud computing, to name just a few.” Hoffman and Yeh, *Blitzscaling*, 24.

gain >1x from that same investment. The limit to gains is theoretically infinite.¹⁴⁹⁴ Thus, says Reid Hoffman (elaborating on the notion of “intelligent risk” invoked above): “The intelligent risk-takers are the ones who strategically pursue only those opportunities with enough upside to justify the possible downside.”¹⁴⁹⁵ Thus we arrive at an explanation for the phrase, introduced earlier in this dissertation, that “sins of omission are worse than sins of commission.”¹⁴⁹⁶ The costs of missing out on future potential (which is unavoidably uncertain) greatly exceed the *risk* of losing 1x of any given investment.

The second assumption of asymmetrical probability relates to VC’s willing pursuit of so-called “power law” outcomes, also known as long-tail distributions. The distinction between long-tail and normal distributions (the latter being the famous “bell curve”) is illustrated in Figure 6.1. As can be seen, in a normal distribution, a great majority of investments (68 percent) are clustered around one standard deviation of the mean, with relatively middling returns. In a long-tail distribution (power law curve), on the other hand, the vast majority of firms have little to no returns, while a small few (10-20 percent) provide either high, or *extraordinarily* high returns.¹⁴⁹⁷ Power law returns are a product of the limited downside, unlimited upside dynamic. Failure is the most common result of investment, and this is easily calculable. As Randy Komisar

¹⁴⁹⁴ One consulting firm estimates that seed investors aim for 100x returns, Series A require around 10x to 15x, and later stage (“growth”) investors aim for 3x to 5x. Scott Orn, “VC Return Expectations by Stage,” *Kruze Consulting* (blog), March 29, 2024, <https://kruzeconsulting.com/blog/what-vcs-return-expectations/>.

¹⁴⁹⁵ Hoffman, “How to Think About Risk.”

¹⁴⁹⁶ Kupor, *Secrets of Sand Hill Road: Venture Capital and How to Get It*, 50.

¹⁴⁹⁷ Kupor, 30.

and John Mullins note: “Don’t ever forget that Google and eBay, which have earned billions for their investors, are islands in a sea of start-up failures.” VC portfolios are thus made successful by spectacular outliers, not middling averages; they are skewed such that, as one VC puts it, “a small percentage of firms capture a large percentage of industry returns.”¹⁴⁹⁸ That is, a small percentage of their investments capture monopoly, or monopoly-like positions, thus capturing *all* the value they have created or discovered. Moreover, and this is crucial, because of this firm monopoly basis for a relatively small and growing firm, they present the appearance of being able to capture all adjacent value, relatively uncontested, as they continue to grow that monopoly. But to do this, it is necessary that VC places its bets on uncertainty, for competition is the enemy of power law outcomes. As VC Fred Wilson frames it, “[t]he biggest winners almost always come from the investments that are the most controversial and ‘out there.’”¹⁴⁹⁹ Uncertainty and power law outcomes are mutually constitutive of one another.

¹⁴⁹⁸ Kupor, 30.

¹⁴⁹⁹ Fred Wilson, “The Partnership,” AVC, June 12, 2022, <https://avc.com/2022/06/the-partnership/>.

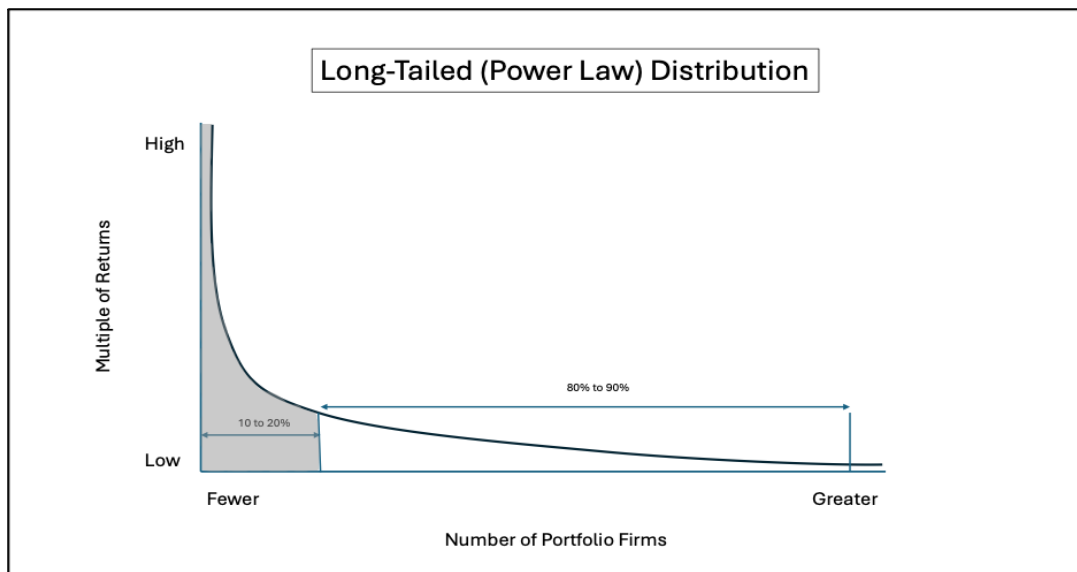
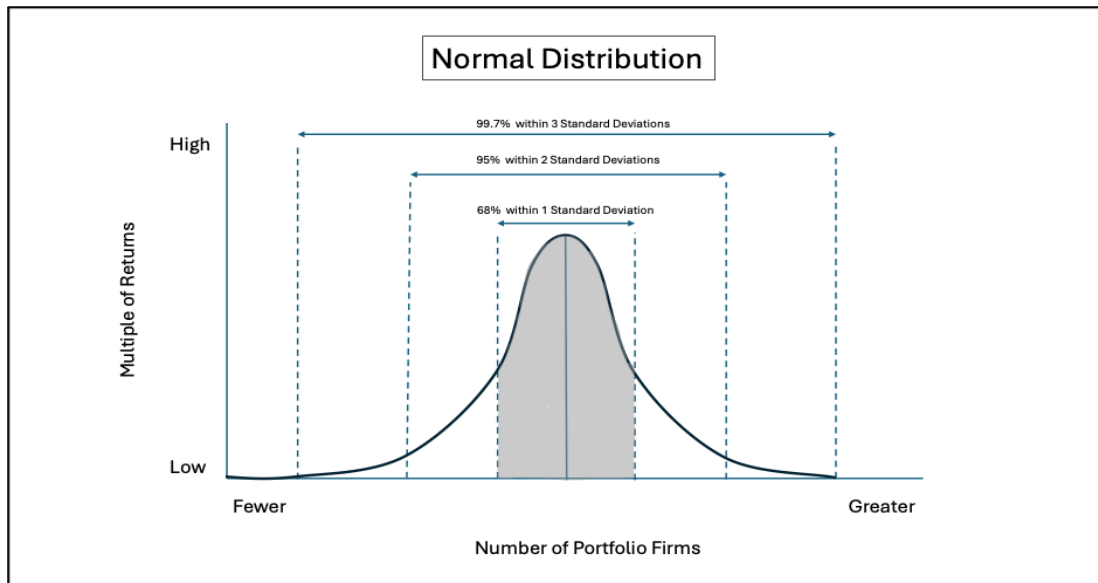


Figure 6.1 – Long-Tail versus Normal Distributions (Source: Author)

The Certainty of Failure

We have seen, then, how asymmetrical probabilities transform uncertainty into risk at an aggregate or “macro” level of analysis. However, because uncertainty is radically

unknowable there always remains an element of uncertainty that cannot be eradicated. The risk that remains and must be mitigated is, therefore, that uncertainty may be realized as lost value (which, although pertaining to uncertainty, can be quantified and thus constitutes risk).

Fortunately for VC, while uncertain *in general*—its primary source of surplus value—cannot be entirely eliminated, it *can* be diminished. This is achieved when *particular* uncertainties are eliminated through testing and experimentation, and the primary means by which this is achieved is (somewhat counterintuitively) through *failure*. As we saw in the previous section, the vast majority of a VC's investments end in failure, as do the vast majority of products produced by any given portfolio firm.¹⁵⁰⁰ Nevertheless, no failure comes without the gift of knowledge, and the chief characteristic of uncertainty is its unknowability.

It is not for nothing that VC-backed entrepreneurship is (perhaps uniquely) associated with the acceptance, and occasionally even celebration of failure. While survivorship bias ensures success takes all the headlines and that success becomes the only visible marker of performance when a VC is fundraising from LPs or marketing itself to the most promising new startups and (v)entrepreneurs, failure is tolerated by VC investors to a degree that is arguably unparalleled in any other form of capitalist enterprise. And yet, it is a puzzle rarely addressed: why would an investor so willingly embrace *failure* when their sole end is to obtain the returns gained from success? Surely

¹⁵⁰⁰ It is estimated to take, on average, 58 product ideas to deliver a single successful new product. See Randy Komisar and John Mullins, *Getting to Plan B* (Boston, MA: Harvard Business Press, 2009), 3.

failure is precisely what an investor does *not* want? VC-scholar William Janeway offers us a clue:

“The pursuit of allocative efficiency as the core economic virtue blinds its acolytes to the dynamics of the Innovation Economy, where the waste generated by experimentation is essential to progress and tolerance of that waste is a prime condition for leadership at the frontier ... the allocation of resources to research and development at any moment in time is bound to appear inefficient in static economic terms.”¹⁵⁰¹

The answer, then, to why failure is so enthusiastically “tolerated” in VC-backed entrepreneurship is this: failure makes certainty out of uncertainty. When a (v)entrepreneur pursues some outrageous “contrarian” idea, one that is “out there” but could potentially offer power law returns, its success is highly uncertain. This, as we know, is its value. However, the potential *payoff* of uncertainty, when compared to the certainly limited potential loss, actively encourages inefficient strategies of attack. There are many strategies and tactics and ideas that a (v)entrepreneur may employ in their pursuit of an uncertain venture, many (if not all) of which will fail; however, every time a strategy, tactic, or idea fails, that particular approach has been *falsified*.¹⁵⁰² It has been shown to be *certainly* untenable. Thus, failure makes certain the outcome of uncertain courses of action. This, arguably, is the true meaning of Schumpeter’s

¹⁵⁰¹ Janeway, *Doing Capitalism*, 190.

¹⁵⁰² In Karl Popper’s classic work on the philosophy of science, he argues that the essence of science is falsifiability—the ability to test a hypothesis as false. Every time the test does not falsify a hypothesis, the hypothesis is corroborated. Corroboration is the closest we can ever get to a concept of “truth”. See Karl Popper, *The Logic of Scientific Discovery* (London, UK: Routledge, 2002).

description of the entrepreneur as the agent responsible for “getting things done.”¹⁵⁰³ Echoing Janeway, Clayton Christensen in his canonical work *The Innovator’s Dilemma* puts it thus: “The ultimate uses or applications for disruptive technologies are unknowable in advance. Failure is an intrinsic step toward success.”¹⁵⁰⁴

To understand how and why VC-backed entrepreneurship is uniquely able to profit from failure in this way, we need to return to the principle of growth before profits and the basic structure of the term sheet. As described in Chapter 1, the term sheet is divided into two broad sets of provisions: economics and governance (or “cash and control”). As per my argument, cash and control are the defining features of the VC-Entrepreneur relationship. Additionally, however, they provide what Janeway refers to as a “toolkit for hedging uncertainty in ... venture capital.”¹⁵⁰⁵ He explains this as follows: cash buys time and control ensures the time bought is used effectively. Let us unpack these claims. We know from Chapter 1 that the provision of capital (i.e., cash) invokes contracted time. This imposes urgency on the embedded entrepreneur but also ensures that when problems arise this cash will provide the time required to resolve the problem.¹⁵⁰⁶ Put differently, when something fails, cash provides the temporal cushion to pursue an alternative strategy. Non-VC-backed firms do not have

¹⁵⁰³ Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy: Third Edition* (Harper Perennial, 2008), 132.

¹⁵⁰⁴ Clayton M. Christensen, *The Innovator’s Dilemma* (Boston, Massachusetts: Harvard Business Review Press, 2016), 99.

¹⁵⁰⁵ Bill Janeway, “What to Do About Radical Uncertainty — Bill Janeway,” *Bill Janeway* (blog), July 21, 2023, <https://www.billjaneway.com/what-to-do-about-radical-uncertainty>.

¹⁵⁰⁶ Janeway.

this luxury due to the demand of realization.¹⁵⁰⁷ Control, on the other hand, ensures that the time given to the (v)entrepreneur by capital is used in a disciplined and productive way. This is the VC’s power—they can guide and monitor the embedded entrepreneur in ways that other financiers cannot, and if they lose faith that the embedded entrepreneur is pursuing uncertainty (and thus extraordinary value) with adequate aggression or competence, they can take control of the venture or replace them as CEO.¹⁵⁰⁸ The embedded entrepreneur, faced with a situation of figurative life or death, is thus further encouraged to “go big or go home,” to vigorously pursue uncertainty in the hope of transforming that uncertainty into certainty (ideally in a successful rather than unsuccessful way).¹⁵⁰⁹

In this scenario, however, even if the (v)entrepreneur fails repeatedly during a given round of financing, provided they have shown progress (“learning”) and the potential upside remains high, they are still likely to receive additional financing and to stay at the helm of the venture. Cash allows failures to be made early and regularly without affecting realization because, crucially, as we know, *realization* (in the short term) *is not required*. It is for the same set of reasons that “pivoting” is so common

¹⁵⁰⁷ At the risk of being repetitive, I shall remind the reader again that the number one reason startups fail—more than a lack of a market demand, and more than as a result of competition—is due to a lack of capital (or “running out of cash”). See “Why Startups Fail: Top 12 Reasons | CBInsights,” accessed May 4, 2022, <https://www.cbinsights.com/research/startup-failure-reasons-top/>.

¹⁵⁰⁸ Presuming the CEO is one of the co-founders. Should the CEO be a professional non-founding executive, the VC can replace them in the same way using their preferred shareholder rights.

¹⁵⁰⁹ The quote “go big or go home” is taken from an interview with Mitch Kapor reported in Sebastian Mallaby, *The Power Law: Venture Capital and the Making of the New Future* (New York, USA: Penguin Press, 2022), 127–28. An expanded version of the quote runs as follows: “GO [a startup] showed me the downside for entrepreneurs of Kleiner’s approach. If it couldn’t be a home run, Kleiner did not care if the company struck out. It was like, go big or go home....”

among VC-backed firms. If the pursuit of a business idea (and not just one strategy of attack used to pursue it) is proven entirely untenable then its failure has become certain. However, this is entirely expected in the world of VC. As the title of one book, *Getting to Plan B*, suggests, companies die when they stick to “Plan A” in the face of certain failure.¹⁵¹⁰ Thus the intelligent approach is to use the cash provided by VC, the “runway” left for the venture, to pursue a new product idea or strategy. Tellingly, successful pivoting is often the *product* of previous failures. Slack, for example, started out as a gaming firm, and through its failed experiments with uncertainty developed a communications tool that was proven as certainly effective and valuable to the team. This product became Slack, a unicorn exit for its co-founders and investors. This scenario was only possible because the original firm had VC backing, and upon realizing the certainty of failure used its cash “runway” (cash-bought time) to pursue an entirely different product strategy. This is why HC is so important for growth (G) in the general formula for VC: they are the agents responsible for facilitating rapid, high-quality product iteration, and pivoting is nothing but a radical version of this process. It is also why experienced (or valorized) HC (i.e., HC’, the ventrepeneur being its most valued instantiation) is so crucial for growth (G).¹⁵¹¹ HC’ understands the importance of failure, the role of cash and control, the disciplinary exigencies and

¹⁵¹⁰ Komisar and Mullins, *Getting to Plan B*, viii.

¹⁵¹¹ I say this quite literally. Ventrepeneurs, as known and trusted entities, are deemed a less uncertain investment and thus obtain higher valuations for their firms than do first time entrepreneurs. See Brad Feld and Jason Mendelson, *Venture Deals: Be Smarter than Your Lawyer and Venture Capitalist*, 4th Edition (New Jersey: Wiley, 2019), 52; Lowell W. Busenitz, “Innovation and Performance Implications of Venture Capital Involvement in the Ventures They Fund,” in *Handbook of Research on Venture Capital*, ed. Hans Landström, vol. 1 (Cheltenham, UK: Edward Elgar, 2007), 228.

incentives of contracting time, the payoffs of seemingly inefficient strategies, and the importance of pivoting (which may involve letting go of whimsical dreams about delivering social value to the world). HC' understands the importance of exchange value and surplus value above all other values. Plus, they are audacious and self-confident—cocksure, and with good reason; it is almost as if they *cannot fail*, because failure is the path to success. Backed by VC cash, they adopt a willingness to follow uncertainty which, research suggests, is more likely to result in the outcome of successful innovation. They reduce investment (i.e., VC) uncertainty by having been disciplined and conditioned to adhere to the VC process (as per Chapter 1). Given that VCs spend on average around 60 percent of their time pursuing monitoring and control activities that might otherwise be spent on fundraising, pitch reviews, investing, and deal flow, HC' does not only reduce uncertainty within any single venture, but within an entire portfolio of investments.¹⁵¹²

This, then, leads to the final way in which failure aids VC success: through the portfolio and portfolio thinking. When seen from the perspective of the portfolio as a whole, failure as a means of falsifying uncertainty takes on a new dynamic. Knight himself acknowledges that when enough uncertain cases are placed in one aggregate “basket,” uncertainty is negated in favor of the laws of chance. That is, echoing the VC who suggested 100 investments per portfolio almost guarantees unearthing a unicorn, Knight says:

¹⁵¹² Andrew Zacharakis and Daniel A. Shepherd, “The Pre-Investment Process: Venture Capitalists’ Decision Policies,” in *Handbook of Research on Venture Capital*, ed. Hans Landström, vol. 1 (Cheltenham, UK: Edward Elgar, 2007), 177.

“while a single situation involving a known risk may be regarded as ‘uncertain,’ this uncertainty is easily converted into effective certainty; for in a considerable number of such cases the results become predictable in accordance with the laws of chance, and the error in such prediction approaches zero as the number of cases is increased. Hence it is simply a matter of an elementary development of business organization to combine a sufficient number of cases to reduce the uncertainty to any desired limits. This is, of course, what is accomplished by the institution of insurance.”¹⁵¹³

But VC has an added power in this regard. If a particular portfolio firm appears certain to fail in its entirety, the VC can cease distributing fund capital to that firm and redirect those resources to other portfolio firms with more promising trajectories. Portfolios thus *insure* VC funds against firm failure, just as the VC process insures individual portfolio firms against individual instances of strategic failure. Moreover, just like portfolio firms, VC funds operate within contracted time. This means they need not provide returns immediately, and that the failure of individual firms is not an immediate problem—in fact, it is the successful conversion of uncertainty into certainty, meaning the VC can better allocate capital and is more certain to provide fund returns than would otherwise be the case. It is only the aggregate returns that matter, it is only the power law outliers that count.

To reiterate, then, by way of summation: (1) The fact of change is certain; (2) Converting the uncertain content of change to certainty through trial and error implies

¹⁵¹³ Knight, *Risk, Uncertainty, and Profit*, 20.

the future can be probabilistically known; (3) Uncertainty is where profit (i.e., surplus value) is to be made or found, but so is certainty (i.e., through failure and success)—the two come together in VC; (4) Pursuing uncertainty in order to create or discover value that can be captured without the internecine value attrition of competition is value maximizing in a double way—it (a) establishes a monopoly, or monopoly like position, and (b) produces the condition of future certainty.

Future uncertainty is not contradictory to future social necessity, it is the very means by which it is achieved.

III: THE PHENOMENON OF SOCIAL NECESSITY

Social Necessity and Venture Capital

The purpose of the two previous sections has been to demonstrate how lack as value and uncertainty as value come together in the general formula for VC to produce growth (G). Uncertainty is transformed into certainty (and thus value) through the failures and successes of HC which become manifest in the Product; fulfillment-induced lack, on the other hand, is realized through market-mediate manifestations of desire (e.g. MS) that have the capacity to penetrate the practices of material life. The task now is to show how these various forms come together in the appearance of social necessity to complete the circuit of valorization in the general formula for VC. This is illustrated in Figure 6.2.

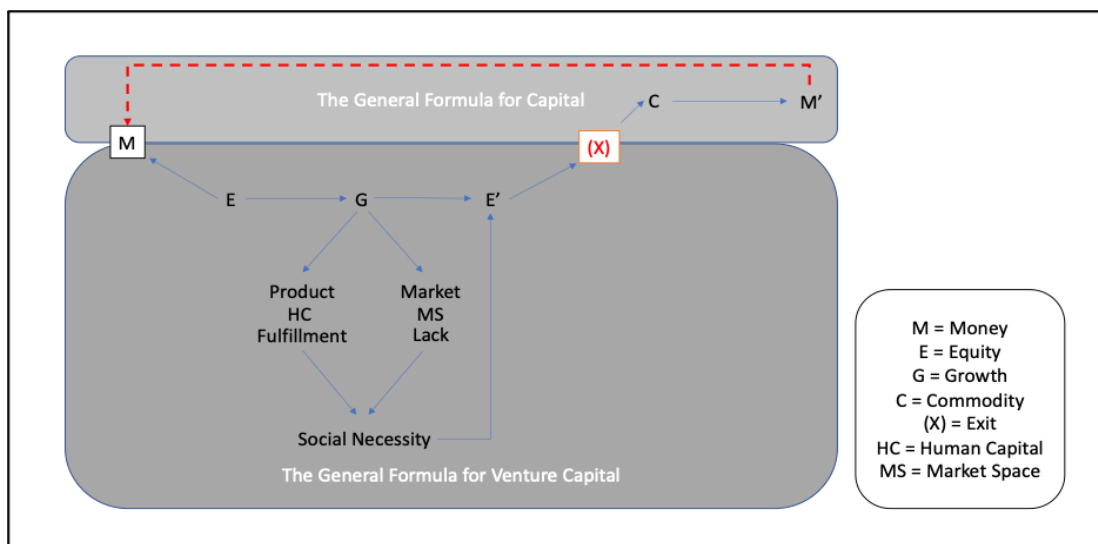


Figure 6.2 – The General Formula for Venture Capital (Social Necessity) (Source: Author)

Let us first consider what the term social necessity pertains to. On any typical day, most people will normally need to use a proprietary personal computer—an IBM or a Mac, say—with a mouse of some sort, to access a menu system on a proprietary operating system—most likely Windows or MacOS—that will allow them to access an Adobe PDF file or Microsoft document, perhaps to print that document on their Epsom, HP or Xerox printer, or maybe to upload it to the cloud (Amazon Web Services, or iCloud perhaps), or maybe they will open a browser so that they may perform a Google search or access a social media app like Instagram. Maybe they will not be distracted and will instead open their email—Outlook or Gmail. If or when they are not using their personal computer, maybe they will use their smartphone—probably an iPhone or Samsung Galaxy—to watch a streaming service like Netflix or YouTube, maybe to see

the latest offering from Pixar. If they are not watching something, perhaps they will listen to music, streaming it from Spotify, Apple Music, or Pandora. Or perhaps they will decide to go out. In which case, they may need to use a ride-hailing service, an Uber or a Lyft, to get there. It will be helpful if they are vaccinated against COVID by Moderna or Pfizer. They may wish to assess the local offerings via Yelp, or to buy tickets for a show on Stubhub. Perhaps they will stay out, in which case they may search for an Airbnb, or for a hotel on Kayak. This requires money, of course, and for money they will need a job which they may have found (or may search for) on Indeed.com, or at LinkedIn. And when they have a job they may decide to invest some of their wealth through an online brokerage, perhaps Robinhood given that it has no fees. Of course, having a job means not having the time to do random tasks, but maybe some casual help found on TaskRabbit will aid them.¹⁵¹⁴

None of these objects are essential to life, and yet all of them mediate social life in a way that has become necessary for social action to be realized according to the norms, expectations, and obligations of contemporary society. Social necessity, as a mode of consumption, is historically specific and patently pertains to a set of contingent *wants*, and yet these wants have become manifest as needs.

Wherever you look across the vast range of VC interests, you will find a process seeking to valorize today what has a possibility of being socially necessary tomorrow,

¹⁵¹⁴ This vignette is largely taken and adapted from Richard A. Walker, *Pictures of a Gone City: Tech and the Dark Side of Prosperity in the San Francisco Bay Area* (Dexter, Michigan: PM Press, 2018), 15–16.

whether it be floating cities to hedge against rising sea levels,¹⁵¹⁵ virtual reality headsets to escape from increasingly widespread social ennui, digital and home-care health services to fill the gap left by neoliberal public healthcare reforms, mRNA therapeutics to aid off whatever seasonal viruses may threaten social reproduction in future, carbon removal systems to fill the shortfall of emissions reductions fossil fuel capitalism cannot countenance, generative AI to help us think apace with others, or anything else you can imagine.¹⁵¹⁶ And VCs are frequently explicit about this being their aim. Josh Wolfe of Lux Capital, for example, describes his investment in Kurion (a nuclear cleanup robotics company) as meeting an “unmet, inevitable need with no solution in sight,”¹⁵¹⁷ or Harold Callais of Callais Capital, who claims his firm’s mission is to invest in “startups ... poised to take advantage of long-term inevitable trends.”¹⁵¹⁸ Again and again, the appeal is to inevitability, such that one firm even named itself ‘Inevitable Ventures’.

The point is that when product-market fit has supposedly been achieved due to some (perceived or produced) lack being fulfilled, the product that fulfills it (and is continuously iterated to renew and reproduce that fulfillment) will appear as a socially necessary *good* (regardless of negative spillovers). Hence, the appearance of this

¹⁵¹⁵ Adam Minter, “Floating Cities May Be One Answer to Climate Change,” *Bloomberg*, June 26, 2022, <https://www.bloomberg.com/opinion/articles/2022-06-26/floating-cities-may-be-one-answer-to-climate-change>.

¹⁵¹⁶ Paul Condra, “Emerging Tech Research: The Postdigital Era” (PitchBook, December 22, 2022), https://files.pitchbook.com/website/files/pdf/Q4_2022_PitchBook_Analyst_Note_The_Postdigital_Era.pdf.

¹⁵¹⁷ “Josh Wolfe,” Lux Capital, accessed July 4, 2024, <https://www.luxcapital.com/people/josh-wolfe>.

¹⁵¹⁸ Savanna Maloney, “Member Spotlight: Callais Capital - National Venture Capital Association - NVCA,” December 1, 2022, <https://nvca.org/member-spotlight-callais-capital/>.

achievement appears to be the endpoint of the valorization process (G) and the primary *source* (but not substance) of E'.¹⁵¹⁹

It is necessary, however, to make clear that social necessity (need) is not synonymous with social desire (want). It will be recognized that there is little new in the idea that lack may be manufactured through production as a means of fostering consumption, even though the will to massive growth (MS-MSh) as a requirement of sufficient VC exit returns implies this lack must be both socially shared and predicted to continue growing. However, this would best be described as the thesis of social desire. Desire (lack-fulfillment), I have argued, is not induced by value, but is its basis: value is induced by desire.¹⁵²⁰ It is thus a necessary precondition for any possibility of social necessity. Value innovation, which Christensen and others suggest is the basis of disruptive innovation (see Chapter 2), is essentially *desire* innovation; it is about creating or discovering value through fulfillment activities that can produce new, socially shared manifestations of lack. However, as we know, it is not enough that value be created or discovered, this value must also be captured,¹⁵²¹ which connects the will to growth (G) with a will to monopolization. But here it is necessary to make some qualifications, for monopolization by VC-backed startups is not your garden-variety version of monopolization.

¹⁵¹⁹ The short- or near-time appearance of social necessity is necessary for valorization in the VC process, its concrete reality is not. This point shall be explained in the next section.

¹⁵²⁰ Frédéric Lordon, *Willing Slaves of Capital: Spinoza and Marx on Desire* (London, UK: Verso, 2014), 65.

¹⁵²¹ As noted in Chapter 3b, Peter Thiel believes it is the combination of value innovation and capture that is the defining feature of Silicon Valley and, by implication, of what I have designated as SVC. See *How Peter Thiel Knows If A Startup Is Crazy Smart, Or Just Crazy* | *Disrupt SF 2014*, 2014, <https://www.youtube.com/watch?v=PeVjGpNpF6E>.

Monopolies are typically understood to be massive, powerful corporations that have outcompeted the competition, and by virtue of their economies of scale are able to continue outmuscling smaller firms or newcomers. I do not deny that VC-backed firms may eventually take this form—Google, Meta, Amazon, Apple are all examples. But this is *not* necessarily, or even commonly the case with VC-backed firms up to and including exit. In fact, as we saw in Chapter 4, the strategy for VC-backed firms is to monopolize *small* portions of MS, and to use that small monopoly as ground zero for growth. This is enough because these monopolies, the product of uncertainty made certain, are *different* to existing value propositions and are explicitly designed to alter the trajectory of consumption patterns. Their strategy is explicitly *not* about attempting to dominate establishment incumbents through competition, but to render them irrelevant at worst and obsolete at best, and a key component to achieving this is not so much *scale*, which is what we commonly associate with monopoly-like positions, but *stickiness*. That is, VC-backed attempts at monopolization are grounded in patterns of social desire that actively exclude alternatives. Scale is important, no doubt, but only in the context of sticky services. VC seeks objects that can take on a semblance of necessity and become things we “cannot live without,” the sort of things we can’t even remember living without. Whether Amazon has MSh for online retail in excess of 50 percent of the total market is important, but less important than the fact that Amazon users use that service for online retail to the *exclusion* of other forms of retail. The same could be said of social media, EVs, fitness trackers, streaming music services, and so on. Scale is merely a means of kicking away the figurative ladder—of ensuring that

brick and mortar bookstores (e.g. Barnes and Noble) no longer exist, that Taxis become a rarity (or eventually no longer exist), and that music shops selling CDs have disappeared. Stickiness, on the other hand means that the desire for this new object no longer appears as a want, but a necessity. By pursuing a want, a “sticky” habit or convenience, reality has evolved such that alternatives have disappeared and that want is now rendered a necessity. *Not* in the sense of being a natural necessity, but a *social* necessity, as the primary form through which social practices may be reproduced. Social necessity implies the default routine between cue and reward—the *habitual*, socially shared consumption of proprietary goods.

We have then, feasibly, two types of monopoly we are speaking about—what I will refer to from here on as demand-side and supply-side monopoly. Social necessity, I want to argue, begins in demand-side monopoly. This is the power of lack and desire. It is strictly not, at the outset at least, a supply-side monopoly in the sense of imposing structural demands or exclusions. It can *become* a supply-side monopoly only later by virtue of capturing MS as MSh and thus eliminating the relevance of legacy (i.e., establishment) alternatives and of negating any potential (value similar) competition. This is, in large part, why VC as an industry is able to be solely focused on building monopolies, and yet never charged with antitrust violations. It is why VC can be the engine of anti-competitive, anti-market production in society, and yet presented as the engine of innovation, progress, and capitalist vitality.

A Culture of Social Lack

The essence of demand-side monopoly lies in its capacity to appear as “that which we cannot live without.” This experience may affect the consuming subject in several ways and through various mechanisms including habit formation derived from properties of addictiveness or convenience; price incentives; security and well-being; or accessibility. In each case, as I have argued, the effect of a new value proposition is to simultaneously devalue existing modes of fulfillment—it is not a process of adding value as much as it is a process of manufacturing value gaps (lack) to be served (fulfilled). Let us examine each in turn.

Addictiveness

Nir Eyal, in his book *Hooked: How to Build Habit-Forming Products* makes a distinction between addiction and habit, arguing that the former is destructive whereas the latter is, or should be, life enhancing. Eyal nevertheless is at pains to demonstrate how fear works to prompt a “habit” (especially FOMO) and how important it is that habits become irrationally triggered rather than based on conscious decision making.¹⁵²² At their most effective, habit-forming products—especially digital products—are designed to give their users “dopamine hits,” or natural highs. The effect of a dopamine hit is to temporarily, and sometimes imperceptibly, elevate the user’s mood, and to continue doing so *while* they are using the product. This artificial high

¹⁵²² Eyal, *Hooked: How to Build Habit-Forming Products*, 54–55.

leads to an artificial low when the user is no longer using the product and is in what should be their normal, homeostatic state. The addictive effects of dopamine hits are the entire design basis of Facebook's "like" buttons along with similar features on other digital platforms; however, VC's have long been aware of the value proposition offered by consumer product addictiveness, learning this lesson as far back as the early 1970s with the release and remarkable growth story of the video game Pong.¹⁵²³ And if that was the starting point leading up to the present, then the prediction is that product addiction will only increase. As Paul Graham put it in a 2010 authored blog post entitled "The Acceleration of Addictiveness,"

"[t]he world is more addictive than it was 40 years ago. And unless the forms of technological progress that produced these things are subject to different laws than technological progress in general, the world will get more addictive in the next 40 years than it did in the last 40."¹⁵²⁴

Nothing in the trajectory of the past 14 years has occurred to suggest he is mistaken. So matter of fact has the addictiveness of products become that, for some products, it has even become a marketing ploy. Pique Action, for example, employs the addictive "doomscrolling" technologies of short-reel videos (e.g., TikTok, Instagram) to promote micro-documentaries. They explicitly acknowledge both the addictiveness of their

¹⁵²³ *The Social Dilemma*, Documentary (Netflix, 2020), <https://www.netflix.com/title/81254224>; Margaret O'Mara, *The Code: Silicon Valley and the Remaking of America* (USA: Penguin Books, 2019), 106.

¹⁵²⁴ Paul Graham, "The Acceleration of Addictiveness," *Paul Graham* (blog), July 2010, <https://paulgraham.com/addiction.html>.

algorithm and the vacuousness of most services who use it so that they may present their product as an addictive alternative to useless time wasting. Their claim is that the user will be enriched by getting addicted to *this* product.¹⁵²⁵

Convenience

The second mechanism for habit formation is convenience which, in itself, can border on addiction. Being able to hail a ride from your smartphone without having to wait on the street, being able to track your vehicle's approach and not having to deal with the awkward engagement of a cash transaction, and so on, are all conveniences that, once experienced, make comparative services appear lacking, thus producing a newly formed sense of lack. Any object of fulfillment that reduces the steps required to receive a *reward* will, research shows, enjoy faster and higher rates of adoption.¹⁵²⁶

A key means of fostering addiction or demonstrating convenience is through *trialability*, the quality of a product being made easily available to a consumer so that they may experience its fulfillment without commitment thus being introduced to the condition of lack with minimal friction of acquisition. Trialability is far from a new feature of the capitalist economy, but it is rendered all the more possible by VC's negation of the requirement for immediate realization. Products can be given to users

¹⁵²⁵ The logic here, as may be gathered, is that Pique Action are presenting other products as lacking. Other products lack wholesome content, but theirs does not—they fulfill the emptiness produced by other products. See “EV Survey Consumer Reports,” n.d., <https://www.protocol.com/newsletters/climate/ev-survey-consumer-reports>.

¹⁵²⁶ It is not for nothing that Starbucks, a VC-backed firm, chose a mythical Siren for its logo. The Siren, as depicted in Homer's *Odyssey* is a symbol of dangerous temptation, its irresistible song overcoming even the strongest resistance of will.

for free, or *even at a producer inflicted cost* (e.g., PayPal), as a means of positioning the product as socially necessary.¹⁵²⁷ When combined with referral incentives, the product becomes not just individually habituated, but socially habituated. DropBox, for example, not only offered customers trialing their product a small portion of free storage but offered them additional storage for every referral. Once the user's files were loaded up and the convenience of the product had set in, knowing it becomes hard—painful even—to migrate away, the product tempts users to expand their subscription for a small fee, then a bigger fee, and so on.¹⁵²⁸

According to Chamath Palihapitiya, VC and former “Head of Growth” at Facebook, product users are only ever in one of three states: they do not know the product exists, they have tried the product, or they use the product. The question of what causes a shift from one state to another is, he suggests, rooted in psychology rather than quantitative analyses¹⁵²⁹ The strategy, therefore, is to ensure users first become aware of the product, then are able to try it, and then, once initiated, begin to use it habitually. If the product design is right, you will get habituated users to advocate the product through referrals, thus making others potential users aware, who will then try

¹⁵²⁷ The importance of trialability for the diffusion of innovations was recognized long before the digital age. Rogers, in *Diffusion of Innovations*, argues it is a generalizable fact that trialability increases both the perceived utility of a product as well as its rate of adoption. Put differently, trialability is a key means of achieving growth (G). Everett M. Rogers, *Diffusion of Innovations*, Fifth (New York, NY: Free Press, 2003), 16, 258.

¹⁵²⁸ This is a version of the “freemium” model of provision. Other models for freemium services involve in-app purchases for addictive games such as Candy Crush. Free to try, expensive to continue use, highly addictive. This is a standard practice for in the free-to-play video game business. Eyal, *Hooked: How to Build Habit-Forming Products*.

¹⁵²⁹ Quoted in Tren Griffin, *A Dozen Lessons for Entrepreneurs* (Columbia University Press, 2017), 240, <https://doi.org/10.7312/grifl8482>.

it, and so on.¹⁵³⁰ The cycle is repeated, and growth (G) becomes viral.¹⁵³¹ A habit, or necessary compulsion, has become socially shared.¹⁵³²

Price

Price is also a means by which demand-side monopolies may be built; however, it is a less effective guarantee of long-term social necessity. While low pricing can undercut actual or potential competitors, over time, as an innovation advantage becomes generalized, those low-price advantages can be competed away. That is, low prices may attract consumers, but they do not necessarily *retain* them. They are a source of growth, but not “sticky” growth (i.e., growth without a demand-side monopoly). On the other hand, *high* prices, also known as strategic pricing, can induce desirability by creating a sense of lack.¹⁵³³ Strategic pricing can give products an aura that suggests they are superior to other comparable (but lower-priced) products. It is a version of the *positioning* strategy that we first encountered in Chapter 5.¹⁵³⁴ And this is all to presume that pricing a product is even possible—given that VC operates primarily with MS, which as I have defined it is not a complete market but only its *potential*, any feasible

¹⁵³⁰ “Through consecutive hook cycles, successful products reach their ultimate goal of unprompted user engagement, bringing users back repeatedly, without depending on costly advertising or aggressive messaging.” Eyal, *Hooked: How to Build Habit-Forming Products*, 5.

¹⁵³¹ Using habituated users as advocates is how Uber and DraftKings were able to take on governments and legal challenges while expanding in legally questionable ways. See Chapter 4 for a discussion of this.

¹⁵³² Trialability with referral incentives is thus one means by which feted “network effects” are achieved not only as a means of growth, but *defensibility* i.e., stickiness. Rogers, *Diffusion of Innovations*, 177.

¹⁵³³ Kim and Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, 126.

¹⁵³⁴ Ries and Trout, *Positioning: The Battle for Your Mind*, 69.

test of supply and demand equilibrium (i.e., the price point at which a market “clears”) would at best be nascent and thus preliminary, and at worst nothing but a future uncertainty.¹⁵³⁵

Price, then, is either a partially or entirely subordinate factor from the perspective of the VC process, and is one of the reasons, following Marx, that I have attempted to disentangle value from price and money. To achieve the appearance of social necessity implies social innovation whereby the near-term goal is to change social behaviors, *not* to earn monetary profits.¹⁵³⁶ Thus price should either be kept at a preliminary, ideally low level, or should be eliminated entirely in order to negate any potential friction in the pursuit of social transformation.¹⁵³⁷ Once social behavior has been changed, and a particular firm’s advantage takes on the appearance of being a present or future social necessity, the notion of monopoly pricing and profits may come into contention. This, however—crucially—is only likely to happen long after an exit event has occurred and VC is no longer associated with the firm.¹⁵³⁸ It may *never*

¹⁵³⁵ Consider for example, that massive firms such as Yahoo, Google, and Facebook had *no* monetary strategy during their major early periods of growth while still backed by VC. The focus was on viral growth, not revenue. Shane, *A General Theory of Entrepreneurship*, 39–40.

¹⁵³⁶ Of course, the goal *is* to earn monetary profits (M’) at the level of a fund. My point is that monetary profit is an unnecessary distraction to the goal of growth at the level of any individual portfolio firm.

¹⁵³⁷ Rogers, *Diffusion of Innovations*, 87.

¹⁵³⁸ Once someone’s children, say, have become addicted to a streaming service and terrestrial TV will no longer suffice to entertain them, those services can—and do—hike their prices, knowing adult subscribers are unlikely to cancel. Subscription-based streaming services which were once seen as a cheap alternative to cable are now *more* expensive. Alternatively, once taxis have become a rarity in any municipal district, having been competed out of business by Uber and Lyft, customers will pay monopoly “surge” pricing to get to where they need to go. This is the fruit of social necessity.

happen, but for as long as it remains a future possibility, that possibility is factored into the value of the firm's equity (E), *especially* at the point of exit.

Security

One factor unrelated to habit or price that is particularly effective and has become an increasingly prevalent feature of VC-backed investments is the notion of security (or, more pointedly, *insecurity*).¹⁵³⁹ Having a sense of security is one of our core human *needs*. It is also, however, a very useful way of producing social necessity out of social desire. Through fulfillment we can be made to feel *insecure*, thus further invoking the desire—which appears to us as necessity given security's primordial importance—to find fulfillment in security.

One means of invoking insecurity is through data pertaining to potential crises. Agtech (agricultural technology), for example, is being framed by private equity research as a necessary solution to coming agricultural crises that are predicted to be induced by environmental and geopolitical risks. Being able to adapt to those risks is how Agtech frames its value proposition to consumers (including producers). On the other hand, amidst growing geopolitical concerns around conflicts in the Middle Eastern between Israel and Hamas and in Eastern European between Russia and Ukraine, defense tech is seeing record levels of investment.¹⁵⁴⁰ The perception of

¹⁵³⁹ While security is what is offered by fulfillment, as I have pointed out repeatedly, fulfillment (security) only demonstrates lack (insecurity). This is how it becomes necessary.

¹⁵⁴⁰ Alex Frederick, "Agtech Report: 2023" (PitchBook, August 15, 2023), https://files.pitchbook.com/website/files/pdf/Q2_2023_Agtech_Report.pdf.

insecurity, along with innovation's ability to fulfill a lack (i.e., if this capability exists then your enemy could acquire it and you would be lacking, you must therefore acquire this product) has even managed to streamline consumption by the most difficult of all would-be consumers: the government. Once notoriously difficult and slow to acquire, government contracts are now quickly and willingly approved in the face of perceived security threats.¹⁵⁴¹

Accessibility

Finally, in a world of rapid change and increasingly steep learning curves, it is crucial to aid access not merely in terms of trialability (i.e., through free or freemium offerings), but from the perspective of usability, or *accessibility*. This is why many products now pursue the strategy of gamification—of making banal, obscure, or complex services seem fun and intuitive. Coinbase and Robinhood for example—the first a cryptocurrency wallet and exchange service, the second a brokerage app for trading stocks and derivatives—have both taken highly technical industries and reduced them to games. As a TechCrunch journalist colorfully put it: “[Coinbase is]

¹⁵⁴¹ During the recent military conflict in Ukraine, Starlink, owned by VC-backed SpaceX, boosted its value by providing satellite communications for Ukrainian troops. So effective was this demonstration in a moment of crisis that the Pentagon awarded Starlink an exclusive contract. SpaceX CEO Elon Musk won this deal by asserting Starlink was too expensive to maintain long term. By offering the service all but for free and then threatening to pull it, Musk created a sense of social necessity tied both to the Ukrainian state and Western geopolitics. Mike Stone and Joey Roulette, “SpaceX’s Starlink Wins Pentagon Contract for Satellite Services to Ukraine,” *Reuters*, June 1, 2023, sec. Aerospace & Defense, <https://www.reuters.com/business/aerospace-defense/pentagon-buys-starlink-ukraine-statement-2023-06-01/>.

"the website [where] I'll send my mom to buy Bitcoin."¹⁵⁴² And if a producer is not gamifying, then they are packaging to ensure all mod-cons are included, and the complexities are reduced from consideration.¹⁵⁴³ Eliminating friction to get you started, to transform your desire into a necessity, *this* is the ultimate end of the VC-value proposition. This is how we have all unwittingly become a part of the Silicon Valley Culture and Consensus—without of course obtaining the benefits of class privilege and social venture capital.

* * *

It is all to the end of social virality, *ergo* growth (G), that these features are pursued. Virality is not just cheap, but fast and exponential in its potential. Each captured individual leads to a captured group, and each captured group leads to the next captured group.¹⁵⁴⁴ As is well-known and often advised in the innovation management literature: “new customers [or users] come from the actions of past customers [or users]”—either through word of mouth, as a side effect of product usage, through funded advertising, or through repeat usage.¹⁵⁴⁵ If a user believes it is common sense to use a product, they

¹⁵⁴² Alexia Tsotsis and John Biggs, “Coinbase’s Brian Armstrong,” TechCrunch, May 22, 2013, <https://techcrunch.com/video/coinbases-brian-armstrong/>.

¹⁵⁴³ Tesla, for example, offers a package whereby their vehicle owners can have a year free of unlimited overnight charging. Again, this sort of consumer perk is made easier when VC funding is in play.

¹⁵⁴⁴ Geoffrey A. Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers* (New York, NY: Harper Business, 2014), 18.

¹⁵⁴⁵ Eric Ries, *The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses* (New York, NY: Currency [Penguin], 2011), 207–8.

become brand evangelists, which is what every VC-backed firm seeking growth (G) as its *true* product wants to see.¹⁵⁴⁶ But this invocation of common sense immediately alerts us to the ideological character of such consumption practices, for it is the essence of common sense, Althusser tells us, to "impose[] self-evident facts *as* self-evident facts."¹⁵⁴⁷ The problem, from a logical perspective, is that common sense is what drives growth, but growth, by distributing social lack among a community, is what transforms social lack into social necessity and thus into common sense. The curious character of growth in this manner is that common sense necessity only becomes obvious *after* its achievement. *Of course*, it was a good thing Amazon had the economies of scale to help everyone get the things they needed during the COVID-19 pandemic; *of course*, without Zoom, social life could never have gone on during this time; *of course*, many more (white, affluent) people would have died if they couldn't have had their groceries delivered by Instacart;¹⁵⁴⁸ *of course*, we would have all gone crazy or become dysfunctional without Netflix to keep our families entertained under lockdown. But these are retrospective judgments put upon a path-dependent present that offers few—if any—alternatives due to the saturation of market spaces that we did not even know were capitalizable through VC-backed product fulfillment.

¹⁵⁴⁶ Eyal, *Hooked: How to Build Habit-Forming Products*, 21.

¹⁵⁴⁷ Althusser, *On the Reproduction of Capitalism*, 189.

¹⁵⁴⁸ To see how sections of society were subjected to the risk of death during the pandemic to promote the continuing function of capitalist economic relations, see Mark Howard, "The Necropolice Economy: Mapping Biopolitical Priorities and Human Expendability in the Time of COVID-19," *Societies* 12, no. 1 (February 2022): 2, <https://doi.org/10.3390/soc12010002>.

The fact is, lack becomes socially necessary because we want what the other has. Because in a world of rapid change and constant product iteration, there is an opportunity cost to consumption. Mimetic desire—the desire of the other—thus becomes more convenient. The other appears to know something I do not, and if they know it, and they have it, and I do not, then I am lacking (this is the basis of FOMO). Otherwise, there is simply too much content, and there simply too many products to determine what I am “really” missing out on.¹⁵⁴⁹ Thus, the rapid expansion of value in society as a result of VC-backed entrepreneurial efforts to provide fulfillment-induced lack actively promotes the phenomenon of social necessity—it converges wants (and eventually needs) upon a select group of products by virtue of a form of decision paralysis, and in doing so effectively transforms them into *the* necessary consumption object. This is, it is theorized, a manifestation of human pack mentality: we congregate around a consensus solution—the socially necessary solution—because the social other’s consumption is a cue and sign of safety.¹⁵⁵⁰ We consume that which is socially necessary out of what is effectively a habit: society is the cue that we are lacking, the product is the routine, and fulfillment is the reward, even though the entire process is constructed in the reverse order.

¹⁵⁴⁹ Doug Shapiro, “Power Laws Have More Power Than You Think,” August 28, 2023, <https://every.to/p/power-laws-have-more-power-than-you-think>.

¹⁵⁵⁰ Ramadan et al., *Play Bigger*, 31.

Desire is a Trap

It appears, then, that consumer, fulfillment-initiated *desire* is nothing but a trap. It captures and monopolizes our minds and in doing so makes us dependent on objects we did not even want. By capturing desire on a social scale, it produces what Marx described as the historical minimums necessary for social reproduction.¹⁵⁵¹ Crucially, when particular wants become the primary means of engaging with social norms, those wants become the historical minimum for social reproduction and adopt the false appearance of need. To mis-paraphrase Marx: they know everyone does it, so they do it as well.

But this is not the only way that social necessity operates. In addition to social norms—though also as a *result* of social norms—structural effects can also, over time, emerge from informal patterns of social necessity giving them formal, or *institutionalized* legitimacy and power. Consider EVs, for instance. They are becoming a social necessity due to both the impending impacts of climate change and now, as a result of those impacts, widespread legislation to phase out the production and sale of gasoline-based vehicles. What started out as a social phenomenon based on the perceived consumer necessity to act in the face of pending climate disaster, has now become legally mandated. In some locations, bills are being proposed to phase out gasoline filling stations altogether (in conjunction with government funding of EV

¹⁵⁵¹ According to Althusser, Marx supposedly asserted that English workers need beer, just as the French proletariat need wine. But while the word ‘need’ is invoked here, what is truly being denoted is social necessity, not natural need, but social need—that which is required to participate in society at a given moment in history. Althusser, *On the Reproduction of Capitalism*, 50.

charging station infrastructure), making it essential that one must, at some point, purchase an EV or not drive at all.¹⁵⁵² Investment in EVs today, therefore, from a VC perspective, is an investment in a socially necessary future, as are investments in products utilizing the latest battery or charging technologies underpinning the transition to an EV mass market. EVs were once a novelty, not a necessity—now they are an inevitability.

Based in lack, however, which is (according to psychoanalysis) presumed to be a developmental constant and thus constitutive feature of human subjectivity, the objects of fulfillment offered by VC-backed entrepreneurship, no matter how necessary they may appear, can never truly fulfill the lack they produce as a substantive representation of this constitutive *fantasy* lack. They are means, rather than ends, and as such can produce nothing but satisfaction in dissatisfaction. These objects produce scarcity from abundance, pure emptiness in fulfillment (a desire fulfilled is, after all, no longer a desire; and that would be bad for capital).¹⁵⁵³ The “chase” for satisfaction becomes the end in itself.¹⁵⁵⁴

¹⁵⁵² Kwasi Gyamfi Asiedu, “California Gas Prices 2022: LA Mulls Gas Station Ban - Protocol,” *Protocol*, June 24, 2022, <https://www.protocol.com/bulletins/los-angeles-gas-stations-ban>; Nadia Lopez, “Electric Day: California Phases out Sales of Gas Cars,” *CalMatters*, August 25, 2022, <https://calmatters.org/environment/2022/08/electric-cars-california-to-phase-out-gas-cars/>; Brian Kahn Jenkins Lisa Martine, “Carbon Dioxide Removal Startups Are Heading to Washington,” *Protocol*, July 19, 2022, <https://www.protocol.com/newsletters/climate/cdr-trade-group-washington-lobbying>.

¹⁵⁵³ “Capitalism has the effect of sustaining subjects in a constant state of desire. As subjects of capitalism we are constantly on the edge of having our desire realized, but never reach the point of realization. This has the effect of producing a satisfaction that we don't recognize as such. That is, capitalist subjects experience satisfaction itself as dissatisfying, which enables them to simultaneously enjoy themselves and believe wholeheartedly that a more complete satisfaction exists just around the corner.” McGowan, *Capitalism and Desire*, 11.

¹⁵⁵⁴ The argument I am presenting here may appear similar to the thesis of instrumental rationality put forward in Horkheimer and Adorno's classic work of critical theory, *Dialectic of Enlightenment*. Their thesis suggests that instrumental rationality is self-defeating in that it pursues ends as means in

But, then, this raises an obvious question: if the consuming subject is satisfied in their dissatisfaction, is this not enough? Why pursue a critique of VC-backed fulfillment?

There are several ways to address this question. The first reason is because capitalism must almost incessantly destroy this fulfillment in order to recreate it anew and keep value expanding for SVC. Your satisfaction, however ersatz, is never your own; it is always, in reality, a form of dissatisfaction attached to the promise of “real” satisfaction down the road.

Nevertheless, the ultimate effect is to legitimize market society as the sole basis of social life, and in doing so to render material life more accessible to the rapacious will of SVC. Why should we want alternatives if this life is so comfortable; if we have what we want, if we have what we *need*?¹⁵⁵⁵ This is a question that has been posed explicitly in relation to capitalist consumption since at least the mid-twentieth century through the various works of the Frankfurt School of Critical Theory. The problem now, as then, is that this strange situation has become our normal condition. The restlessness and novelty of our desire has faded into the background and been forgotten. The infrastructure of desire has become invisible and legitimized. Or, to put it another way, desire has covered its tracks. The economy of desire invoked by SVC and

themselves. The difference in my own argument is that rationality is here secondary at best, or completely absent at worst. Means have become ends, yes, but as they are constituted by desire and emotion, not reason. Desire is not reason—and has many of the industry texts I have cited demonstrate, this is precisely the point, and part of an intentional strategy to bypass rational thought in potential or actual consuming subjects. See Max Horkheimer and Theodor W. Adorno, *Dialectic of Enlightenment* (Stanford University Press, 2002).

¹⁵⁵⁵ Herbert Marcuse, *One-Dimensional Man* (Boston: Beacon Press, n.d.), 49.

transformed into social necessity is at once inherited and projected before being hidden from view. Desire has become automatic.

VC as Politics: The Negation of Social Freedom

To complete this section, we must confront perhaps the most important implication of my argument so far; that despite the legitimation of social necessity through market society—the market held up as the symbolic medium of free social exchange—social necessity, by virtue of being *necessary*, is the negation of social freedom. Monopolization, whether in terms of scale or stickiness, is not merely a negation of “free” markets but (because market society is being mediated by desire as a means of penetrating material life) the negation of material life’s otherwise free status.

This is the second and more crucial reason why satisfaction in dissatisfaction, and scarcity in a world of abundance, are worthy of critical analysis: VC is—despite its frequent self-ascription as an apolitical practice and *alternative* to politics—inherently political. It is the highest form of politics. The VC process, through the power of incentives, is actively defining—*on a global scale*—the future balance between social necessity and social freedom, a role previously reserved to sovereign powers (the Church, State, etc.) on a far smaller, or at least more fragmented scale.¹⁵⁵⁶

¹⁵⁵⁶ The balance between social necessity and social freedom is the basis of nearly all social contract theories. The social contract in this regard is based on an exchange of necessary social obligations (e.g., adherence to laws) in exchange for social freedoms (e.g., freedom to own private, legally

Dressed up as free choice, we live in little more than what Deleuze has described as a society of control.¹⁵⁵⁷ The cloak of innovation, the apparent emergence of the *new*, gives society the illusion of choice: adopt this novelty or stick with an already existing inferior object.¹⁵⁵⁸ But by invoking lack and igniting our desire, rationality has ceased to be in play—reason has been stunted and with it our ability to choose. The only choice is to choose this new social necessity, and once the old object—soon rendered irrelevant or obsolete—has faded from view, even the illusion of choice must soon dissipate with it.¹⁵⁵⁹ When techno-economic or scientific paradigms emerge, they do not merely supersede previously existing paradigms, they *discredit* them, closing the door on any potential reversal. When those paradigms take the form of proprietary products and services then we are doubly denied our freedom: both in terms of alternative techno-economic or scientific paradigms *and* in terms of alternative producers of the innovations they give rise to. This is what is at stake with social necessity.

Technological or scientific arrangements embodied in objects—or, as Langdon Winner famously put it, in “artifacts”—are forms of *order*. These objects are not

protected property). Today, I am claiming, this function is being eclipsed by the social transformations effected by VC-backed entrepreneurial activities.

¹⁵⁵⁷ Gilles Deleuze, “Postscript on the Societies of Control,” *October* 59 (1992): 3–7.

¹⁵⁵⁸ Frédéric Lordon, *Willing Slaves of Capital: Spinoza and Marx on Desire* (London, UK: Verso, 2014), 136; Hudson and Hudson, *Consumption*, 42; Marcuse, *One-Dimensional Man*, 6–7.

¹⁵⁵⁹ AJ Ayer notes in a classic essay on freedom and necessity that if one is constrained (which Harry Frankfurt suggests is the case if one’s desires have been hijacked) then they do not act freely. They are compelled by virtue of having their freedom of choice negated. This can be achieved by making an alternative course of action appear undesirable in comparison. See “Freedom and Necessity,” in *Philosophical Essays*, by A.J. Ayer (London, UK: Macmillan ; St. Martin’s Press, 1954), 279; Frankfurt, “Necessity and Desire,” 4.

coincidentally, but inherently political.¹⁵⁶⁰ And yet, we have never in history seen *anything* on the scale (or stickiness) of what is being consistently produced by the VC process in terms of demand-side and (subsequently) supply-side monopolization. It all begins with desire, for as has been shown, heterophilia in society is an obstacle to capital: social desire must be constrained and made homogeneous.¹⁵⁶¹ This is how consumers are produced to meet products as opposed to the impossible task of producing a product that can meet the diverse desires of social individuals. It is as Mark Fisher warns us: the debtor-addict or habituated user is the defining figure of the society of control.¹⁵⁶² Our dependence on social necessity is not freedom but its exact opposite.

This is not mere hyperbole. As critical scholars such as Ruha Benjamin have pointed out, the kind of manipulative, behavior-altering algorithms and data applications used and patented by VC-backed companies such as Facebook are also used in China's social credit system. There, the algorithm (also proprietary, even though it is China) tracks its citizens financial history, education, work, criminal activity, and adherence to public decorum and, much like the algorithms of Google, Facebook, Instagram, and so forth nudges and shapes behavior in accordance with what it—the *state*—desires.¹⁵⁶³

On the other hand, as we have seen, militant, *dependent* users have become political pawns for VC-backed hypergrowth firms to fulfill their greater ambitions. We

¹⁵⁶⁰ Langdon Winner, "Do Artifacts Have Politics?," *Daedalus* 109, no. 1 (Winter 1980): 121–36.

¹⁵⁶¹ Rogers, *Diffusion of Innovations*, 19.

¹⁵⁶² Mark Fisher, *Capitalist Realism: Is There No Alternative?* (Hants, UK: O Books, 2009), 25.

¹⁵⁶³ Ruha Benjamin, *Race After Technology* (Cambridge, UK: Polity Press, 2019), 70–71.

already saw in Chapter 4 how FanDuel, Airbnb, and Uber mobilized their most zealous users as a material means of enacting political and legislative reforms to promote and legitimize their corporate aims. Consider the words of one Airbnb host who became a political activist helping Airbnb oppose California’s “Prop F” scheme that would have toughened regulations on short-term rentals: “I’ve not been a politically involved person until now, but it’s drawn me in quite substantially because I am one of the people who depends on the income.”¹⁵⁶⁴

This is not just a political issue for local jurisdictions, though. Aside from the fact Airbnb and Uber have pulled off the same grassroots strategy in multiple jurisdictions via a grand scheme of invoking “revolution from below,” many of the hypergrowth firms emerging from the VC process are so (actually or potentially) massive their ambitions eclipse even the scope of the most powerful world governments. Elon Musk’s SpaceX, for example, has *already* built what is effectively a platform monopoly for commercial access to outer space,¹⁵⁶⁵ whereas historically only “great power” state governments have had this access. Now this field is dominated by one VC-backed firm.¹⁵⁶⁶ Access to the entire universe has effectively been capitalized.

¹⁵⁶⁴ Heather Kelly, “Airbnb Wants to Turn Hosts into ‘grassroots’ Activists,” CNNMoney, November 4, 2015, <https://money.cnn.com/2015/11/04/technology/airbnb-after-prop-f/index.html>.

¹⁵⁶⁵ Ali Javaheri, “Vertical Snapshot: Space Tech Update,” Emerging Tech Research (PitchBook, August 28, 2023), https://files.pitchbook.com/website/files/pdf/2023_Vertical_Snapshot_Space_Tech_Update_14394.pdf.

¹⁵⁶⁶ Countries such as China and Russia still have exclusive authority over their own infrastructure, of course, but smaller nations and private actors all nearly exclusively use SpaceX as a launch capability service.

And then there is artificial intelligence (AI), a field also already dominated by one VC-backed firm, OpenAI. The advances made by OpenAI since the release of its chatbot “ChatGPT” in 2022 are already disrupting the political sphere, threatening elections, transgressing legal and ethical norms (e.g., deepfake porn, including child pornography generated from images posted of real children online),¹⁵⁶⁷ enabling cheating so as to disrupt educational standards (which, of course, further diminishes a human’s capacity to reason and resist manipulation). And it has not even gotten started yet. The crusade to transform OpenAI into *the* future social necessity is already being framed by its VC backers as part of a geopolitical arms race, a moral crusade to beat China for fear that if the Chinese state were to reach AI-powered superintelligence first then it would dominate world politics—game, set, match.¹⁵⁶⁸ In the future, generative AI, led by OpenAI, will be a social necessity for almost every daily activity, much like Google is today except more so. To be without it would be to have diminished capacity in a social world of elevated (or diminished, depending on how you look at it) capacity. To be without it, no matter how much it might substitute for independent critical thought, will be to appear as socially *disabled* in relation to others performing social tasks. Its adoption in business activities will cause massive disruptions to labor markets (“technological unemployment”) leading us into a postemployment future with

¹⁵⁶⁷ Katie McQue, “Child Predators Are Using AI to Create Sexual Images of Their Favorite ‘Stars’: ‘My Body Will Never Be Mine Again,’” *The Guardian*, June 12, 2024, sec. Technology, <https://www.theguardian.com/technology/article/2024/jun/12/predators-using-ai-generate-child-sexual-images>.

¹⁵⁶⁸ Reid Hoffman: “You want to be there first and you want to be setting the norms ... That’s part of the reason why speed is a moral and ethical thing here.” Quoted in Berber Jin and Keach Hagey, “The Contradictions of Sam Altman, AI Crusader,” *Wall Street Journal*, March 31, 2023, sec. Tech, <https://www.wsj.com/articles/chatgpt-sam-altman-artificial-intelligence-openai-b0e1c8c9>.

unpredictable effects on the political sphere. Already, the CEO of OpenAI is acting to exploit this opportunity, having co-founded a VC-backed, biometric-based cryptocurrency firm (Worldcoin) to provide people with a Universal Basic Income (UBI) for the new world order. That is, in exchange for your unique biometric data, obtained by a retinal scan, you will receive a unique “World ID” (one digital identity per human on Earth or, in the “world” if you expand that concept into outer space) and then an allowance so that you may continue to consume, even when you are unable to earn a wage.

Yes, this is political. These are inherently political *changes* subsequently followed by what Rancière refers to as policing.¹⁵⁶⁹ If antiestablishment disruptors are the agents of politics and the establishment is the agent of policing, then the anti/establishment is both. The antiestablishment act as political agents ushering in radical change (demand-side monopolization), and the anti/establishment ensures those changes are locked in place (supply-side monopolization)—or, at least, for as long as is useful.¹⁵⁷⁰ It is as futurist Lucie Greene points out:

“It is one thing if a company monopolizes a service—don’t subscribe to it. Or a product—don’t buy it. But what happens when that company is providing everything? And all those things are interconnected and controlling the way you live ... The veneer of control quickly vanishes, and you’re left with

¹⁵⁶⁹ Jacques Rancière, *Disagreement: Politics and Philosophy*, trans. Julie Rose (Minneapolis: University of Minnesota Press, 1999).

¹⁵⁷⁰ “Civilized modern societies are defined by processes of decoding and deterritorialization. But *what they deterritorialize with the one hand, they reterritorialize with the other.*” Gilles Deleuze and Felix Guattari, *Anti-Oedipus* (Minneapolis, MN: University of Minnesota Press, 1983), 257.

monopoly not just of what you buy, but how you live. It's a consumerist police state."¹⁵⁷¹

Social necessity was once the remit of the sovereign, but today increasingly resides in the domain of private interests. Frédéric Lordon, in his work on capitalism and desire, *Willing Slaves of Capital*, notes that both Spinoza and Plato recognized that to capture and maintain political power, desire is the crucial catalyst. Spinoza recognized, he says, that rather than relying on fear, political power must lead people so that they believe they are living their own life according to their own free decision. It is not for nothing, he concludes, that Plato placed desire as one of the loftiest subjects of the art of politics.¹⁵⁷²

IV: SOCIALLY NECESSARY CONTRACTED SPACE-TIME

The Meaning of E/E': Socially Necessary Contracted Space-Time

While the preceding discussion and the focus of this chapter has been to emphasize social necessity as the source of value in the VC process, as I intimated earlier social necessity is not itself the *substance* of this value. The reader may be questioning how and why VC could be so reckless about transforming our world, how they could

¹⁵⁷¹ Lucie Greene, *Silicon States: The Power and Politics of Big Tech and What It Means for Our Future* (Berkeley, CA: Counterpoint, 2018), 17.

¹⁵⁷² Lordon is referring to Spinoza's work *Political Treatise* (X, 8), and the Plato's dialogue *Gorgias* (517 b-c). See Lordon, *Willing Slaves of Capital: Spinoza and Marx on Desire*, 94.

actively promote such politically charged social effects and still claim to be apolitical. The truth, already hinted at in the preceding discussion, is that these effects largely occur after the VC process has concluded its business. That is, the prospect of social necessity need only be *implied* at the point of exit for VC to realize the returns upon which it depends for its business and for subsequent fundraising (which restarts the circuit anew). This is the secret to why growth (G) is so crucial to the function of E'. The ultimate fate of any given VC-backed entity is all but irrelevant from the perspective of VC.

Put differently, and in the context of the general formula for VC, at the point of exit E' is valued as a potential commodity (C) based not merely on the historical trajectory of E—G but also on some speculative assumption of E—G—E'—G... occurring in the future. That is, the value of E' as C is measured in terms of its future growth potential beyond the point of exit, the reality of which is—abstracting from exceptional cases—entirely immaterial to the VC process (this is illustrated in Chapter 2, Figures 2.3 and 2.4). Naturally, the appearance of E'—G is crucial for the VC process to exit successfully and in a way that maximizes M'; however, the reality beyond exit is irrelevant.

This is the true essence of value in the general formula for VC. It is potential (or speculative) value represented in the singularity of exit; the true substance of value for VC is thus what I will refer to as *socially necessary contracted space-time* (SNCST). That is, to fully understand the implications of VC as a process, mode, and practice of value production and realization, we must add to the general formula for

VC the phenomenon outlined in Parts I and II that I have referred to as contracted space-time. SNCST is the true meaning of E and E': E represents SNCST in the context of investment; E' represents SNCST in the context of exit. The effect of the VC process is to contract both time and space into an exit event that binds past and future expectations into legal contracts (i.e., public/private equity ownership, patents, employment contracts, etc.) based on a *projection* of future social necessity. The general formula for VC is thus structured by, and grounded in, contracted space-time (Figure 6.3).

Furthermore, it was noted in Chapter 2 that the sequence E—G—E' parallels the sequence M—C—M' in that the two outer parameters (i.e., M/M'/E/E') act as universal expressions of the related inner parameter (i.e., C/G). The key distinction, however, is that while M/M' is pure liquidity, E/E' is in principle illiquid (hence why E/E' is not commodified until it transitions through exit and becomes C). Although this appears at first as a limitation for VC, it is in fact its power—for illiquid assets, as a result of their lack of liquidity, trade hands among private investors at a *discount*, while liquid assets such as C trade at their presumed market value. E' has the capacity to be mispriced to the benefit of VC investors. The VC process exploits these facts at the point of exit so as to maximize the valuation of the firm as a product of pure speculation. Thus, the entire value proposition of VC is based on *appearance* on the one hand, and acts of arbitrage on the other. This is only possible because contracted space-time is combined with the *appearance* of future social necessity.

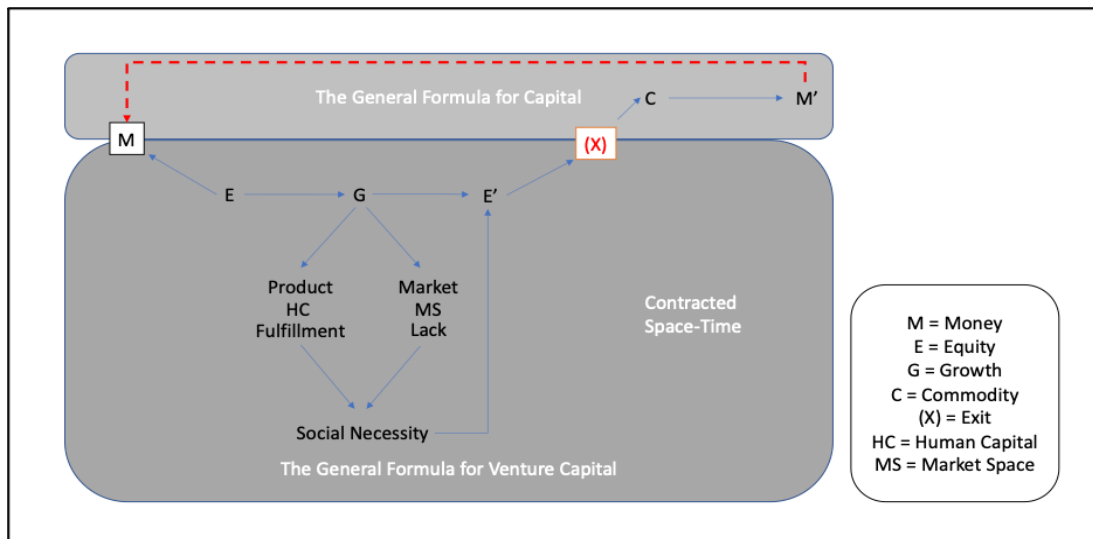


Figure 6.3 – The General Formula for Venture Capital (Socially Necessary Contracted Space-Time) (Source: Author)

The Value of VC as Critical Supplement to the Value of Capital

The definition of value given in the general formula for VC, then, SNCST, differs from Marx's definition of value as socially necessary *labor time* (SNLT) despite being—as the reader may have gathered—an explicit allusion to it. This allusion is entirely intentional even though the meanings pertaining to these two terms differ in important ways. Whereas I have explored the meaning of value via *growth* (G), Marx in *Capital* does so through the commodity. It is by interrogating the commodity's ambivalent structure as both use value and exchange value that Marx is able to derive the theory of surplus value, from which he logically deduces the substance of value as SNLT.¹⁵⁷³

¹⁵⁷³ With the qualification 'socially necessary', Marx is making a different argument to David Ricardo's labor theory of value, one that accounts for labor exploitation and technological change as

The problem is, as we have seen, in startup-based equity financing (i.e., VC), SNLT is insufficient as an explanation of value. A major problem arises from startup employees' ambivalent status as both workers and—as holders of equity options—capitalists. If the labor power employed to grow a startup increases the value of the equity held by workers, then it becomes hard to demonstrate exploitation or a process of surplus value extraction that does not simply return surplus value *back* to those workers. This consequently negates or diminishes its status as “surplus” value. The second issue with SNLT as an explanation for value in VC, particularly considering the diminution of labor exploitation as a factor in surplus value creation, are the unprecedentedly high valuations given to exiting firms. This, however, as I have explained, is a function of contracted space-time conjoined with the appearance of social necessity.

The concept of SNCST is not, however, *merely* an allusion to Marx's definition of value as SNLT, and nor is it a replacement; it is rather what I would refer to as its critical *supplement*. The two are both related and distinct. On the one hand, SNLT is an unmodified *part* of SNCST—that is, SNCST both includes and expands the meaning of SNLT. On the other hand, as has perhaps been noticed, “social necessity” in SNCST obtains a double meaning.

Beginning with the latter, Marx's formalization of SNLT pertains to the admixture of variable capital (i.e., wage labor) and constant capital (e.g., machinery)

functions of relative surplus value production David Harvey, *The Limits to Capital* (UK: Verso Books, 1999), 14–15.

as it combines to produce value within a given, limited time period (e.g., a 40-hour week).¹⁵⁷⁴ New value, says Marx, comes only from variable capital, which constant capital helps make more efficient.¹⁵⁷⁵ However, in Marx's description of SNLT, constant capital is dealt with only in general terms. Any general technology (method or machine) bestowing a competitive advantage to capitalists in production will eventually become a standard in terms of the amount of value to be produced in a given period of time.¹⁵⁷⁶ What makes SNLT socially necessary, then, is the competitive demand to produce a certain amount of value within a given time so as to stay in business and subsist as a capitalist. *SNCST does not deny this*, instead, it invokes a second (additional) dimension of social necessity pertaining to the *particularization* of any given constant capital, a necessity that emerges following the proprietary (actual or approximate) monopolization of constant capital advantage. Thus, SNCST stipulates that it is not only socially necessary for a specific technology to be adopted to stay competitive but that (to various degrees) a *particular* product form of that technology be used.¹⁵⁷⁷

¹⁵⁷⁴ Marx describes this as the limitation of absolute surplus value. It is both a physical and legal limitation in the sense that the duration of labor can only be extended to a certain point and then no more.

Marx, *Capital*, 308–9.

¹⁵⁷⁵ The efficiency given by constant capital allows for the extraction of what Marx calls relative surplus value. This is the means by which a capitalist may extract additional surplus value beyond the temporal limitations of absolute surplus value by intensifying production. See Marx, 323, 420–21, 429.

¹⁵⁷⁶ Note that in the lack of a constant capital advantage, the rate of exploitation of variable capital may be intensified in order to produce the same value output given the same time period. This can happen, for instance, when a capitalist outsources labor to a poorer region and pays workers a lower (or no) wage to do the same work, potentially over a prolonged duration. See Massimiliano Tomba, “Historical Temporalities of Capital: An Anti-Historicist Perspective,” *Historical Materialism* 17, no. 4 (2009): 44–65.

¹⁵⁷⁷ As Harvey notes, SNLT describes “a standard of value only in so far as a capitalist mode of circulation and a capitalist mode of production with distinctive social relations have come into being.”

In relation to the inclusion and expansion of SNLT within SNCST, it must first be restated that, aside from the double meaning of social necessity, SNLT remains intact as a theorization of valorization in the wage labor process. VC may help to produce an innovative form of constant capital that adds efficiency to production and therefore helps another capitalist produce more surplus value. This remains true for both SNLT and SNCST. Where SNCST expands this definition is by accounting for the various forms of valorization that are now able to take place *beyond* the wage labor process. That is, SNCST allows us to see how forms of surplus value production that do not depend on labor (e.g., uncertainty, desire) are produced in and through the VC process. The emergence of the *user* is the most obvious innovation in this regard, for the user constitutes a form of variable capital that does not manifest as wage labor.¹⁵⁷⁸

Users partake in contracted space-time in several ways. Firstly, the time that value may be harvested from a user is not limited to any given legal limit on working days or hours; depending on the product, a user can be available to produce value 24 hours a day, every day.¹⁵⁷⁹ Secondly, as we have seen, the space in which value is produced can be virtualized and thus multiplied. As a result of this virtualization, a user can produce value in multiple dimensions of space at one (and any) time, including during the labor process, simply by producing data as they consume (regardless of

My argument is that VC is a modification of capitalist circulation and production that facilitates new standards of value and new social relations. Harvey, *The Limits to Capital*, 35.

¹⁵⁷⁸ As Nir Eyal puts it, “Make Your Users Do the Work.” See Nir Eyal, “User Investment: Make Your Users Do the Work,” Nir and Far, July 23, 2012, <https://www.nirandfar.com/makeyourusersdothework/>.

¹⁵⁷⁹ Marx states that a worker’s consumption may be individual or productive. A user’s consumption is almost always both. This is why I have, at times, referred to the user as a “prosumer.” Marx, *Capital*, 717.

whether this consumption coincides with labor, leisure, or rest). They may, for example—simultaneously, across different spatial dimensions—be monitoring their health, checking their social media, charging their electric vehicle, and so on, all the while producing data and being nudged into behavioral patterns that can be packaged into products and sold to third parties (e.g., advertisers). Exploitation is now no longer limited to the exploitation of wage labor, but rather to the exploitation of consumer lack—and we are now referring to contracted space-time not merely in terms of investor-entrepreneur relations but also in terms of how the world is experienced by a consuming society both within and beyond the labor process. Social necessity reappears now as the compulsion to engage in these activities—whether induced by convenience, addiction, price advantage, or any other mechanism. And in any case, from any perspective, space-time contraction in a field of social necessity increases the density, and thus intensity, of surplus value production and accumulation.

Usage is not merely an incidental feature of contemporary capitalism; it is steadily becoming a twenty-first century paradigm. If critiques of capital in the nineteenth century were oriented around production, and in the twentieth century around consumption,¹⁵⁸⁰ then today our focus should be on drift towards usage. You do not *consume* Spotify, you use it; you do not *consume* Facebook, you use it; you do not *consume* Uber, you use it.¹⁵⁸¹ The user paradigm, it perhaps need not be said, is a manifestation made possible by the VC model of valorization.

¹⁵⁸⁰ McGowan, *Capitalism and Desire*, 59.

¹⁵⁸¹ An objection may arise here that we do not “use” physical objects like EV’s or Space Rockets; however, these services are already earmarked to be transformed into *services* that will be *used* as

One crucial effect of the user paradigm for capital is its apparent negation of the requirement for effective demand.¹⁵⁸² Let me explain. As stated earlier, value in VC is created through uncertain pursuits that seek to produce objects of fulfillment that can change material life by giving lack a *substantive* presence. Lack is then experienced by would-be consumers (including users) as negative value, or a value loss. Fulfillment thus becomes valuable in that by consuming the object the consumer is returned to a neutral or positive valence.¹⁵⁸³ The lack, as I have argued, is produced by engagement with (or even awareness of) the object of fulfillment. Sometimes this object will be out of reach, like any other object produced in history: it may be too expensive and thus beyond the individual's means of wealth and income. That is, the object of fulfillment in this instance is beyond an individual's means of *effective* demand. Increasingly, however, the objects of fulfillment produced by capitalism (and especially through VC) are given to *users* for “free,” thus negating the requirement for *effective* demand and rendering any access simply “demand.” This is why the invocation of lack is enough to cue the consumption of fulfillment; this is why the user paradigm is so effective at producing growth (G) and is so important to the VC mode of accumulation. Demand is

much as they are consumed. EVs will eventually be autonomous, and the vision for these markets is that we will consume EV services on a pay-per-use basis rather than partaking in the cumbersome, inefficient, and expensive act of privately possessing and operating a vehicle; launch services for access to outer space are already being monopolized for smaller nations and corporation. They effectively *use* SpaceX's launch services. Where usage is not yet the paradigm, it is anticipated to be in the future.

¹⁵⁸² This is one reason why I have avoided the terms supply and demand throughout this dissertation.

¹⁵⁸³ It might be argued that the conceptualization of fulfillment as “+1” is an illusion, and that the subject is merely moving from -1 (lack) back to 0 (homeostasis). This is precisely the effect experienced by addicts who become *dependent* upon a particular object. They consume to feel normal, not “high.”

becoming increasingly unconstrained by the wage relationship inherent to capitalism. The user is able to consume without acquiring a wage to do so. In this act, however, they are producing value by giving up data to the sellers of commodities and other products. It is these capitalists who need consumer information in order to *sell* their products (and here we are back to effective demand) that are now lacking; they are lacking market intelligence, and *their* lack is fulfilled by consuming the data produced through the “free” services upon which users have become dependent and thus willingly—enthusiastically—given up their data. As is slowly becoming common knowledge, if a service is apparently free, then *you are the product*.¹⁵⁸⁴

Exit as The Prophesied Event

We have seen, then, that SNCST offers a critical supplement to, rather than refutation of SNLT. It is a “trick” by which value can be amplified via the specter of potential, rather than actual value. However, this is not all—for VC is also, by virtue of SNCST, a critical supplement to capital itself. Let me explain. The VC process, as per the general formula for VC, does not invalidate capital’s “laws” (i.e., Marx’s general formula for capital) but *modifies* and even bends them. In doing so, it overcomes many

¹⁵⁸⁴ This point may require clarification. Consider the example of a social media platform (Platform-A). These platforms are usually provided to users for “free,” thus negating *effective* demand. But in exchange for being able to use the social media service, the user (User-A) provides data that is then used to sell advertising slots to third-party capitalists (Advertiser-A) who wish to *sell* a product to User-A. In both the sale of User-A’s advertising slot to Advertiser-A, and in Advertiser-A’s attempt to sell some other product to User-A, effective demand still applies as an established feature of the capitalist economy.

of the constraints that have been the focus of capitalist critiques since at least the time of the industrial revolution. Specifically, it is by virtue of the singularity of exit, the centerpiece of the VC process, that VC is not only able to weather crises that might previously have been considered fatal. In *The Limits to Capital*, Harvey argues that these crises take three forms: (1) crises of realization relating to production and exchange (failure to achieve $C-M'$), (2) temporal crises related to financial speculation and the devaluation of money, and (3) spatial crises relating to the geography of uneven development and the fixity of legacy capital structures impeding revolutions in the means of production. Contracted space-time navigates VC accumulation through all three dimensions of crisis.

First, VC avoids crises of realization by negating the realization of profit as a necessary component of accumulation. By suspending the temporality of $M-C-M'$ and substituting it with $E-G-E'$, VC is able not only to bide its time waiting for an appropriate exit moment (measured against both macroeconomic conditions and the sentiments of investors and markets) but also need not worry about problems of overaccumulation and realization. This is possible because the exit event—based on speculation of future growth (G) trajectories—severs VC liability from the investment and any potential problems with future realization. In fact, VC can actively risk and profit from overaccumulation provided it gets its exit timing right.¹⁵⁸⁵

¹⁵⁸⁵ Consider Peloton, a fitness startup producing on-demand workouts tied to physical exercise bikes. After raising VC and exiting via IPO, its value plummeted due to pandemic-induced overaccumulation. For VC, this is irrelevant as it already received its IPO payout. See Kate Clark, “Peloton’s Founder Had a Hard Time Raising VC—Now His Company Is Worth \$4.1B,” *Pitchbook*, August 3, 2018, <https://pitchbook.com/news/articles/the-founder-of-peloton-had-a-hard-time-raising-vc-and-now-his->

Second, by dampening the temporal requirement for realization, VC permits growth (G) to take the place of commodification (C) under the intense disciplinary force of contracting time (focusing on lack-fulfillment and market space domination as opposed to maximal profit-seeking and gross margins). In the short term, this substitutes the monopolization of MS for monopoly profits. However, what is implied by valuation at the exit event is precisely the possibility of future monopoly profits. Uber, for instance, as we saw, exited with a public offering premised on its possible achievement of future global monopoly, yet remained immensely unprofitable for four years while directing its focus toward building that monopoly by accumulating market space and share. Will it eventually adopt monopoly pricing? It does not matter—the VC process premised its exit strategy upon this deferred future possibility of social necessity permitting such monopoly pricing to be imposed.¹⁵⁸⁶

Finally, by contracting both producers and consumers inward toward a particular culture of, on the one hand, equity-based incentives and, on the other,

company's worth-4b; Joshua Franklin, "Peloton Raises \$1.2 Billion after IPO Prices at Top of Range," *Reuters*, September 25, 2019, <https://www.reuters.com/article/us-peloton-ipo/peloton-raises-1-2-billion-after-ipo-prices-at-top-of-range-idUSKBN1WA300>; Lauren Thomas, "Peloton's Market Value Drops by \$2.5 Billion as Shares Close below IPO Price," *CNBC*, January 20, 2022, <https://www.cnbc.com/2022/01/20/pelotons-market-value-drops-by-2point5-billion-as-shares-close-below-ipo-price.html>; Nicholas variously documents this phenomenon going back to at least the early eighties during other periods of relatively irrational exuberance. See Tom Nicholas, *VC: An American History* (Cambridge, Massachusetts: Harvard University Press, 2019), 227, 287, 299.

¹⁵⁸⁶ Lena Khan has outlined this phenomenon in relation to Amazon. The problem with promoting growth over profits from an antitrust standpoint is that the law is biased toward defining monopoly on the basis of consumer (price) outcomes. Like other companies prioritizing growth over profits, Amazon substitutes the accumulation of gross margins for the accumulation of market space and share. Regardless of weak profits, stock value for such companies rockets because, even if the law cannot see a monopoly being formed, investors clearly can. Whether monopoly pricing is ever imposed is immaterial; investors profit today. See Lina M. Khan, "Amazon's Antitrust Paradox," *The Yale Law Journal* 126, no. 3 (January 2017), <https://www.yalelawjournal.org/article/amazons-antitrust-paradox>.

monopoly-oriented solutions framed around the accumulation and colonization of MS, the VC process is both enacting its own form of spatial fix (by seeking valorization in empty MS in order to bypass the stagnation of legacy capital structures) and, at the same time, providing a cultural template for VC-based entrepreneurship and innovation (production) processes that may be—and increasingly are—geographically dispersed. The accumulation of HC into this culture of growth over all other aims is not simply a Silicon Valley phenomenon but a cultural process occurring around the world based on the Silicon Valley model (see Chapters 3a and 3b).¹⁵⁸⁷

This is VC's final alchemical trick in relation to uncertainty and failure: the uncertainty of a radical venture—a potential social necessity—need never be fully eradicated, and nor can it be. Failure only needs to be stayed until the threshold of exit, the moment of singularity, for after that, VC no longer has skin in the game.

VC does not, therefore, need to produce social necessity in actuality, only in potentiality. This is its great power. Marx writes in *Capital Volume I* that “since money does not reveal what has been transformed into it, everything, commodity or not, is convertible into money. Everything becomes saleable and purchaseable [sic].”¹⁵⁸⁸ Equity (E) as SNCST simply does the same for the future—it facilitates the transformation of future possibility (uncertainty and certainty) into a commodity pregnant with surplus value. By the time social necessity becomes a reality, if indeed

¹⁵⁸⁷ Lilly Irani, *Chasing Innovation: Making Entrepreneurial Citizens in Modern India* (Princeton University Press, 2019); Clive Thompson, *Coders: The Making of a New Tribe and the Remaking of the World* (Penguin Press, 2019); Stephen Twilley, “Silicon Valley Is Not a Place,” *Public Books* (blog), April 9, 2020, <https://www.publicbooks.org/silicon-valley-is-not-a-place/>.

¹⁵⁸⁸ Marx, *Capital*, 229.

it does, VC has often departed to work on the next phase of our socially necessary future. It is happening right at this moment.

CONCLUSION

The Future of Social Necessity

Revisiting the Question

As we reach the end of my argument, it would seem apt to revisit the question that provoked it. I asked in the introduction why it is that there is no social critique of VC—that is, why there is no critical theory that takes account of VC in a holistic sense, critically analyzing its transitive relationship to society via entrepreneurial production.¹⁵⁸⁹ This, I argue, seems unlikely to be a mere result of oversight—after all, sporadic, isolated critiques of VC are commonplace, as is a general sense of unease about its motivations and actions. And, more questionably, when attempts are made to look at VC as part of a whole, most notably in the historical accounts given by Nicholas and Mallaby, the tone remains firmly in realm of problem solving theory, in an account that seeks only to stand as a neutral, surface-level observer, dispassionately reporting the historical events of an institutional practice that has been undeniably influential

¹⁵⁸⁹ We may conceptualize this theorized transitive relationship as VC→Entrepreneurship→Society. As per the Introduction, this transitive relationship is broken in the literature on VC in several ways. Analyses are either limited to the *business* of VC (i.e., VC→Entrepreneurship), stopping short of addressing its social impacts and generally *uncritical* in tone, or to the social effects of entrepreneurial production absent any analysis of the VC influence (i.e., Entrepreneurship→Society). The few examples of historical analyses that take account of the end-to-end relationship (i.e. Mallaby, Nicholas) tend to reject critique, arguing in various ways that either VC is not influential post-exit, or that its less savory aspects reflect the broader make-up of contemporary capitalist society.

over world history and thus, according to those authors, worthy of celebration. When such a powerful historical force unavoidably reveals the less savory aspects of its character, most notably its exclusion of diverse populations from having a voice in the direction of this historical power, such concerns are dismissed as symptoms of a broader social and political field that it is the responsibility of others to remedy. Speaking critically, these voices see the lack of diversity as an *input* mediated through VC, rather than its filtered *output*. Blinded by the seemingly unquestionable good of VC-backed innovation, these concerns are dismissed, and if the question of innovation's promise is ever raised it is quickly dismissed as being either absurd, given how supposedly amazing it is to live in a world of technological and scientific wonder such as present; or as misplaced, given that the negative spillovers of innovation all occurred long after VC has ceased to be a guiding influence.

To approach the question, I decided to anchor my critical analyses in the VC process itself, fully aware that unlike other forms of finance and investment, VC not only plays an active role in the development of entrepreneurial firms but is highly dependent upon social networks and thus operates with social, cultural, and reputational capital in addition to financial (or economic) capital. I thus attempted to look at each aspect of the process systematically, from a carefully selected range of perspectives and themes and with an interdisciplinary set of intellectual materials. This led me to separately examine the VC process in its temporal, spatial, and phenomenal forms, and in each case, aware that the process entails both objects *and* subjects, I separated my analysis into chapters and arguments that foregrounded either the agents of the process

or the structures it has brought into being.¹⁵⁹⁰ Separately, always staying close to the process as I have conceptualized it, I attempted to organize my analyses in terms of the internal and external relations of these themes, except for in Part III where the theme of “appearance” became front and center, obscuring many of the distinctions made earlier in the dissertation between agents, structures, time, space, inside, outside, subject, and object. In any case, my approach and the structure of my presentation have been highly intentional.

As a further strategy of both presentation and exposition, I organized my argument around the VC process in a way that expanded this process dialectically, piece by piece, element by element. This allowed me to focus on each component of the process, or its organizational arrangement, without drifting into other topics, and without attempting to address too many things at once. It also, I hope, created a narrative arc for the argument and in doing so produced an outline that resisted the temptation to reveal all its secrets at once. But what, then, were these “secrets”?

In Chapter 1, beginning my investigation into the temporal dynamics of VC, here in its *internal* relation to the VC process, my inquiry revealed the first curious feature of the VC process (the black box of the VC-Entrepreneur relationship) as contractual and contracting time. This was my first articulation of the thesis of contracted time. It is through contracted time that growth becomes the product of the VC process (for both VCs and Entrepreneurs) and it is through this observation that my

¹⁵⁹⁰ It is, of course, impossible to fully separate agents from structures given that they mutually reproduce one another, and thus each chapter necessarily dealt with both aspects while emphasizing one or the other.

first insight into “the question” emerged. A critical theoretical approach grounded in the Marxian tradition of political economic inquiry is difficult to apply to VC because the general formula for capital cannot account for the equity relation that suspends and defers realization. If we modify the formula while leaving it relatively intact, however, the equity relation can be shown to operate as a function of growth and the VC process revealed as a parallel if different form of the same.¹⁵⁹¹ This substitution of commodification for growth is only possible, however, as a result of incentive structures that align the goals “embedded entrepreneur” with the goals of investors. The “good” embedded entrepreneur goes along with this not necessarily because of any immediate gain or success, but because the VC process is understood to be a repeat play game. Therefore, in following the lead of VC investors, the embedded entrepreneur stands to gain from privileged future access to VC’s power and prestige. Assuming the entrepreneur has played along and graduated to “ventrepreneur” status, they are incentivized to speak of the VC process in either fond, glowing terms or with begrudging appreciation, either knowing that negative judgments will impact their capacity to partake in future opportunities or having been made wildly wealthy as a result of the experience and thus accepting of its merits. Only those who failed to heed

¹⁵⁹¹ This problem, and my modification of the general formula for capital as a means of solving it, also revealed another problem with attempts to perform a social critique of VC: the difficulty of disentangling VC from capitalism as a distinct object for critical inquiry. Treating it in the same way as capitalism in general is as problematic in this regard as treating it as an entirely distinct object of inquiry. My solution was to modify and integrate the general formula for VC into the general formula for capital, thus showing how VC modifies capitalism without either negating it or being constrained by its most sacred laws.

the demands of growth above all else, and who “failed” as a result, are inclined to speak critically of the process.

In Chapter 2, I inverted my inquiry, still focusing on the temporal dimension of the VC process, but now from its *external* relation to the VC process—that is, from the perspective of its relationship to global capitalism as a whole. The pivot upon which my internal and external analyses were made was exit appearing as an event. The appearance of exit *as event*, despite my claim that exit is better understood as a *process*, revealed the second major insight as to why a critical theory of VC has been obstructed and difficult to mount: exit as event produces a temporal breakpoint between the VC process and the afterlife of any given VC-backed firm. That is, although incentives align to produce firms motivated to produce growth as a means of equity valorization (and all that implies) and these incentives shape the business models of such firms long after exit has been “eventuated,” it is in the post-exit activities and trajectories of these firms that their socially transformative impacts become most conspicuous—often if for no other reason than that the firm has gone public or has become part of a public firm. The attention is drawn towards the firm and its founders, not to those VCs who might have actively shaped it. Additionally, these post-exit firms, now ostensibly a part of the establishment, no longer enjoy the status of “underdog” that generally finds widespread public affection. Instead, they are seen as the new bullies on the block. In distinction to this, however, VC, despite its role in promoting the formation and expansion of these new establishment players—through IPO and M&A exits alike—can continue to lay claim to its antiestablishment credentials (and the popularity that comes with that)

while plausibly denying any role in the continued reproduction and renewal of the establishment. Whatever a post-exit firm might do, no matter how nefarious, the reputation of VC is simply not in the firing line. Any accountability for the new world order of VC-backed establishment behemoths almost invariably falls upon them, and not upon VC.

In Chapters 3a and 3b, which formed two parts of a single argument about the role of human capital (HC) as an underlying component of growth (G) in VC, I began my discussion of space in relation to the organization of subjects and objects in relation to the VC process. In the course of my inquiry, I discovered multiple layers of a materialist ideology at work that could collectively be articulated in the abbreviation “SVC.” In doing so, I revealed the underlying legitimization of VC as it pertains to the special arrangement of subjects *internal* to the process itself—in particular, to the way that VC seemingly negates labor exploitation in the production process by returning surplus value back to its workers.¹⁵⁹² Stated differently, SVC allowed for a description that demonstrated not only why *producing agents* become motivationally tethered to the VC process but also why agents standing *outside* the process looking in also become desirous of its potential rewards. This includes not only would-be entrepreneurs and VCs, but also policymakers seeking a way to boost their local economic growth. All of these actors, I argued, were drawn together in a positive consensus pertaining to the

¹⁵⁹² Even though LPs make no contribution to the production process and a GP’s contribution is highly limited (if it exists at all) and thus would both appear to exploit the labor of entrepreneurs and early employees, because they lie so many degrees in the background of the entrepreneurial venture (the LPs being all but anonymous), they once again avoid the scrutiny normally attributed to capitalist producers who exploit their workers.

modes of production organized around VC, to a process and practice exemplified by the concrete space and place “Silicon Valley.” The demonstrable world-defining success of Silicon Valley, as an exemplar and lodestar of the VC process and its organizing principles for HC, has thus become the irrefutably desirable template for global policymakers, educators, and capitalists seeking to actively participate in, and enjoy the fruits of global capitalism. The insight gained, therefore, was how the VC process wins the hearts and minds of both its direct beneficiaries and of any who would aspire to partake. More than this, what my analysis also revealed was that access to these benefits—consisting quite literally of power and riches—is only *notionally* open to all aspirants, and that VC in fact systematically excludes various minority populations from participation. Nonetheless, when its undeniable patterns of exclusion are coupled with the appearance of ostensible “openness,” this combination is enough to insulate VC from critical scrutiny by bestowing it the semblance of plausible deniability.

Continuing my analysis of space in Chapter 4, this time in relation to its external relation to the VC—to *consuming* rather than producing subjects which I characterized as being mediated by (as thus represented in the general formula for VC as) market space (MS)—I began to look at the various ways in which uncapitalized material life is brought into the fold of market exchange and consequently made subject to capitalist desire. Picking up on the overdetermined motif of SVC, I here discovered that the function of MS was to contract or draw together consuming subjects *external* to SVC into its monolithic ideas in a way that, although partly characteristic of monopoly

capitalism in general, presented some curious idiosyncrasies. Most notably, it was here that I began to develop the idea that the monopolies formed by VC are not simply market dominators in the sense of dominating the lion's share of supply (although that is part of it) but also in the sense of dominating consuming subjects by creating products that encourage particular consumption patterns to the exclusion of alternatives—that is, they dominate the field of demand in relatively smaller markets with the potential for growth (this is the notion of product “stickiness”). This argument has two important implications relevant to the question of social critique and critical theory. First, VC-backed monopolies, up until and including exit (as event), can be relatively small and thus not appear to the public as behemoths of industry even though they may actually achieve market dominance exceeding the 50 percent monopoly threshold set by governing authorities. The markets, because new, can be quite small, though their potential scalability and impact is great (this is a function of contracted time and the reason why investors and acquirers will pay so much, either during the various rounds of financing or at the point of exit). Second, because these markets exclude alternatives and provide products that consumers *demand* as their only desired product, the will of the people would appear to be with the new market player. That is, the consuming public (MS) to which products are addressed are not just willing consumers but zealous champions of these products. Again, this makes any attempt at a social critique of VC difficult—after all, if the people want it, and governments want it, who can argue with that?

Having concluded my inquiry and arguments concerning VC's relation to both time and space, the basic pre-conditions of human experience, my argument shifted in Part III to VC's manifestation in appearance. It is here, as might be expected, that the most insidious obfuscations to social critique are made evident, because it is in the very nature of appearance to be only "apparently" true, to be mediated by sociohistorical context and the various apparatuses of perception. In Chapter 5, I began this discussion by examining the "fulfillment first" approach of VC-backed entrepreneurship. I argued that a "productivist" bias emerges necessarily as a result of VC's orientation towards novelty as its essential differentiating element, especially in comparison to other forms of capitalist production. What makes critical theory difficult in this context is the fact that there are arguments to suggest that capitalism in general is *also* essentially productivist, which would render arguments pertaining to VC nothing but "more of the same." However, two features of VC make it unique in this regard: (1) VC-backed firms do their ideological work to justify the fulfillment first approach by reconceptualizing and even *producing* the problems (framed as "pains") that are to be solved by fulfillment (which, as a "painkiller" presents itself as a necessity). These problems, however, must be generally applicable to meet the market size requirements for a VC investment (remembering that VCs only invest in firms they believe have the potential to return in excess of an entire fund). Thus, unlike capitalism in general, the productivist approach of VC depends on massive social, cultural, political, technological, scientific disruption, and meets this general disruption with a proprietary offering of fulfillment. The legitimizing act inheres in meeting a manufactured *general*

problem with a *particularized* proprietary solution. (2) VC-backed entrepreneurs proceed on the basis of bestowed, rather than earned, reputation. That is, their license to proceed with a fulfillment first approach, starting small but with the ambition to grow to potentially massive (often on an unprecedented scale), is facilitated by the reputations of investors whose main investment outcome is *failure*. Because VCs operate in private markets, however, their reputations can be sustained by as little as one spectacular investment success, with survivorship bias erasing all negative data points from public consumption. Entire reputations can be built on obfuscation and thus the appearance of indisputable success.

Building on these claims, I argued that perhaps the major element justifying and preserving the reputation of VC as a mode of accumulation is its ability to unearth people, products, and firms worthy of a laudable reputation—I characterized these “brands” as possessing the aesthetic of genius, which in turn, through a combination of action and corporate mythology, produce intellectuals fit to intervene in issues well beyond the narrow frame of any given techno-scientific “widget” or idea, and ultimately as heroes intervening to democratize and revolutionize seemingly frivolous aspects of social life. In each case, the effect is to discredit the establishment: existing people, products, and firms are “dumb”; the old intellectuals are stuck in their conservative and archaic ways; the old way of accessing a product or service was elitist or cumbersome. Connecting to the notion of anti/establishmentarianism introduced in Chapter 2, this aspect of VC-backed entrepreneurship thus again sidesteps social critique by associating its people, products, and firms with *progress*, no matter how

conceived—be it social, cultural, political, economics, technological, or scientific. What VCs and VC-backed (v)entrepreneurs are doing is *better*, and they are better endowed (with audacity and capital dressed up as courage and intellect) to achieve it.

Having focused on fulfillment in the first half of Part III, I shifted my attention in Chapter 6 to its dialectical opposite, lack, and began working towards the crux of my argument: the thesis of value as socially necessary contracted space-time. Building on the argument presented in Chapter 5 that fulfillment operates in tandem with the creation of the general “problem,” I began my argument by suggesting that the apparent effect of this maneuver is to discredit the present as itself “lacking” and to present the object of fulfillment as a future-oriented *promise*, thus further establishing the narrative of progress as an essential feature of VC-backed innovation and production. In this act, the producer is effectively producing lack in order to animate the consuming subject to “go” towards the object of fulfillment. However, the mechanism by which lack is produced—by which “pains” are produced to meet “painkillers”—is by design oriented towards patterns of habituation. More specifically, the argument showed that the demand for objects of fulfillment produced to meet manufactured lack is grounded in emotional rather than rational motives, and what are essentially non-decisions. These subconscious habits involve cued routines that lead to a reward. However, as my argument showed, the path from cue (lack) to reward (fulfillment), although unremarkable as an example of capitalist desire (want) is transmuted into a mode of necessity and thus need by the *routine* which is the actually produced proprietary

object.¹⁵⁹³ This object is not the object of fulfillment in itself, but the object *mediating* fulfillment. However, as a central component of the habit loop it fades into the background. The mediating element—the product—which has become the necessary middle step, has become what I described as a demand-side monopoly for the consumer. This has two crucial effects stemming the possibility (or ease) of social critique: (1) it negates alternatives, delivering its services as part of a default habit loop that relies on non-decision; (2) despite monopolizing the consumption patterns of individuals to the exclusion of alternatives, it does this, initially, on a small scale, using this platform as a basis for growth. This helps the monopolizing practices of VC avoid antitrust scrutiny. It allows them to *systematically* produce monopolies in plain sight, as standard practice, in ways that the law cannot *see*. By the time these demand-side monopolies have grown to scale and even vaguely resemble the more familiar form of a supply-side monopoly, the general consuming public have fully embraced this new social order and its established presence is a *fait accompli*. The routine, realized as a monopolized product, has become a social necessity. The product is no longer just a mediator of habits, but a necessary mediator of social obligation. And by this stage, with survivorship bias having eliminated all competing alternatives from view and antiestablishment discreditation having eliminated all pre-established alternatives from

¹⁵⁹³ As I noted in Chapter 6, the idea of “social necessity” adopts a double meaning in this conceptualization. In Marx’s original meaning of the term, social necessity denotes the average labor time required to produce a commodity based on general productive (“technological”) capabilities. My own use of the term does not deny this, but adds a second meaning pertaining to the particularization of social necessity in the form of proprietary products (as opposed to general purpose technologies, techniques, or goods). Marx’s original meaning remains intact, but is expanded to account for forms of valorization taking place beyond the wage labor process that VC makes possible.

relevance, we are now facing a new path dependent reality in which the socially necessary object of fulfillment (that is in reality merely a proprietary routine) appears to us as *obvious* in hindsight. We are essentially satisfied by the object. And if we are satisfied by the object, the question of social critique becomes difficult, if not absurd. Market society, mediating an increasing proportion of the “structures of everyday life” (i.e., *material life*) is increasingly legitimized. Life is comfortable (despite a constant sense of lack), so why pursue alternatives?

As a final point of my argument, however, I noted that, of course, innovation-oriented companies (e.g., Big Tech) *are* a target for frequent social critique, both in the popular press and scholarly discourse.¹⁵⁹⁴ And this includes the relationship between innovation firms and society specifically (i.e., entrepreneurship→society). However, this is VC’s final trick, its final means of side-stepping scrutiny and avoiding systematic critical appraisal in its effect on *society*: the value of a VC investment inheres *not* within social necessity in actuality (which attracts social critique, especially when taking the form of a supply side monopoly) but in *potentiality*. Exit as event once again insulates VC by allowing it to walk away from the beast of its creation before it is shown to be

¹⁵⁹⁴ One of the challenges encountered in the pursuit of a social critique of VC is the very existence of these existing critiques of entrepreneurial ventures. It is difficult to disentangle VC from social critiques of digital capitalism, for instance, because so much about digital capitalism is novel and new and worthy of targeted critical analysis. However, if my argument has been accepted, then we can trace many of the idiosyncrasies pertaining to digital capitalism (or BioTech or any other market segment) back to the VC as its underlying facilitator. While these critiques are important and worthwhile in themselves, they are, I maintain, essentially epiphenomena to the deeper workings of VC.

a non-viable life-form, or the people arrive with their pitchforks. Social necessity in actuality is a problem for the formerly VC-backed firm, not for VC.¹⁵⁹⁵

It is thus as a consequence of the combined effects of contracted space-time and the appearance of future social necessity that a social critique of VC is inhibited, and the development of a critical theory of VC is made that much harder. Contracted space-time not only modifies the temporal and spatial arrangements of accumulation—invoking a contracting time horizon, bringing the future into the present, reducing a pluriverse of worlds and ideas to a universal monopoly consensus around this product or that, reproducing a multitude of diverse global places in the image of a singular idea (*eidōs*) and place (*topos*)—but binds these arrangements together through formal and informal contracts: term sheets and definitive agreements, limited partnership agreements, employment contracts, stock options contracts, private property contracts, supplier contracts, and so on. These contracts bind people to disciplinary processes, tie them to places and spaces, and produce a massive world system in which almost everyone has acquired skin in the VC game. Future social necessity, on the other hand, presents an image *in the present* of all that we will need to be doing *in the future*, just to keep up with social norms and obligations. Just, in short, to be an active part of the society we will have no choice but to live in. A social critique of VC is made obscure and difficult because society has been *contracted in towards* VC and all that it implies. There is no VC-backed entrepreneurship without VC, and in future there will be no

¹⁵⁹⁵ We might say that this hobbles critique by rendering the transitive association noted at the beginning of this conclusion as $VC \rightarrow \text{Entrepreneurship} \rightarrow \text{Society}$

society without VC-backed entrepreneurship. Our socially necessary future has been preordained, just as the future of social and political freedom is progressively becoming a memory.

Revisiting an Older Question

As outlined in the preface, when I set out to begin my inquiry into VC I did so with a potentially naïve optimism about the possibility for the world of capital to evolve into something more ethical, more just, and more attuned the goal of social and political freedom than the system of late capitalism to which we have become accustomed. My uncritical gambit was that VC offered a path to social *renewal* as opposed to capitalist reproduction. The further I proceeded in my investigations, however, the more I found my optimism transformed into pessimism and disillusionment. I discovered that for all VC's potential for social renewal, the raw power of disrupting business-as-usual was simply subsumed into a form of capitalist reproduction *more* insidious, *more* ideological, and *more* all-powerful than ever before. Whereas I had once placed my faith in the “worlding” paradigm which promotes autopoiesis of the imagination and finds lines of flight *beyond* the world horizon globalized capital, I began to see these strategies of resistance as the very strategies employed by the VC mode of capitalist accumulation.¹⁵⁹⁶ I found the tools of resistance to have been turned upon the resisters.

¹⁵⁹⁶ Worlding, a verb, denotes the “historical process of taking care, setting limits, entering into, & making world-horizons come near & become local, situated, in/formed, cared for; instantiated as an uneven/incomplete material-cultural process of world-making and world-becoming.” Rob Wilson and Christopher Leigh Connery, eds., *The Worlding Project: Doing Cultural Studies in the Era of*

Instead of “breaking the spell” of capitalism, my analysis suggests that VC has produced new spells that are more powerful than anything we have ever seen before. Worlding is explicitly framed as a strategy of resisting attempts to homogenize modes of being, of challenging the reduction of a pluriverse of already existing worlds to the “One-World World” capital, and yet has been used to do precisely the opposite.¹⁵⁹⁷ The endless frontiers of capital, reduced to discrete market spaces dominated by capitalist exigencies are more than *merely* markets, they are micro-domains of social interaction marked by varying social logics of freedom and necessity, they are small-scale *worlds*. And these worlds are being created according to the same template of capitalist monopolization that we had hoped to resist. And so, an old question lingers, one much older than that which instigated this study: in the face of all that has been discovered, what is to be done?

My advisor Matt Sparke once said to me: it is better to be disillusioned than under the spell of illusion. Thus, I find hope in my disillusionment, and now believe that rather than falling into pessimism and defeatism, I should use all that I have learned as a gesture towards alternatives, towards a more optimistic vision for the future. Reid Hoffman, expressing a version of the TINA doctrine so familiar to scholars of neoliberalism, once wrote:

Globalization (Berkeley, Calif. : Santa Cruz, Calif: North Atlantic Books ; New Pacific Press, 2007), 210, 216–17; Rob Sean Wilson, “Worlding America’s Asia Pacific Into Oceania: Concepts, Tactics, and Transfigurations inside the Anthropocene,” in *Pacific Beneath the Pavements: Worlding Poesis and Oceanic Becoming*, Forthcoming, 104.

¹⁵⁹⁷ Arturo Escobar, *Designs for the Pluriverse* (Durham and London: Duke University Press, 2018), 66–68.

“It’s become fashionable among some entrepreneurs, and even some venture capitalists, to badmouth the venture capital industry. The industry certainly has many flaws. But to paraphrase Winston Churchill, venture capital is the worst method for financing scaling startups except for all the others.”¹⁵⁹⁸

It is this kind of defeatism that we must refuse. There *are* alternatives, but these alternatives depend on the vitality of imagination and the unrelenting ruthlessness of critique. As worlding scholars such as Rob Wilson and Sharon Kinoshita remind us, any suggestion of a finality to the possibilities offered by worlding is inherently premature, for you can no more create, re-create, or de-create the world *ex nihilo* than you can satisfactorily empty it as a category of history.¹⁵⁹⁹ This is reminiscent of Marx’s famous proclamation that people

“make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly found, given and transmitted from the past.”¹⁶⁰⁰

It is necessary to recognize that Marx is speaking also to the balance between social necessity and freedom. His argument is not simply that we are simply constrained by history and the tradition of social necessity, but also that we are free to act in re-making

¹⁵⁹⁸ Reid Hoffman, “In Praise of Professional Venture Capital,” *LinkedIn* (blog), December 17, 2019, <https://www.linkedin.com/pulse/praise-professional-venture-capital-reid-hoffman/>.

¹⁵⁹⁹ Wilson and Connery, *The Worlding Project*, 221; Sharon Kinoshita, “Deprovincializing the Middle Ages,” in *The Worlding Project: Doing Cultural Studies in the Era of Globalization*, ed. Rob Wilson and Christopher Leigh Connery (Berkeley, Calif. : Santa Cruz, Calif: North Atlantic Books ; New Pacific Press, 2007), 67.

¹⁶⁰⁰ Karl Marx, “The Eighteenth Brumaire of Louis Bonaparte,” in *The Marx-Engels Reader*, by Karl Marx and Friedrich Engels, ed. Robert C. Tucker, Second Edition (New York, NY: Norton, n.d.), 595.

our *own* history—that *within* the bounds of social necessity, social freedom always remains possible. But where should we begin?

Incentives

Perhaps the first place we should look, given that the entire structure is held together by contracts, is to the *incentives* contained within and formed through such agreements. The incentives inherent to the VC process not only promote the reduction of utility to exchange value, but substitute the object of utility (e.g., the product) for an entirely dissociated object of exchange (i.e., equity). In doing so it substitutes social utility for class-restricted wealth and power. As we saw, however, these incentives are structured specifically to give GPs power over producers, and LPs power over GPs, with an ever-diminishing duty of care over the *content* of any given investment. That is, LPs care *only* about the form of their returns, not about the content of production.

This must change. The incentives, as I have been at pains to show, are drawn towards growth (G) as the main product of any given investment. This is in part because of the LP structure that radically separates form from content. When we look at alternative forms of VC-style investing, such as Angel Investing, this single-minded focus on growth (G) fades into the background, such that investment is made with an agent's *own* money on the basis of the idea itself. That is, social utility surpasses the goal of growth. The plain fact of the matter is, however, that Angel investors can do this because they are independently wealthy, because they can invest in the future without a significant care for personal profit measured in terms of wealth. In fact,

Laurence Rockefeller, once described by Time magazine as a “space-age risk capitalist,” and one of the earliest signs of the coming emergence of VC, was motivated in precisely this way (though only, of course, because he was exceptionally wealthy)—he wanted to expand the endless frontier of human possibility, not the endless frontiers of capital.¹⁶⁰¹

Extreme wealth, however, not only remains relatively rare (and increasingly rarified as a result of growing inequality) but unfortunately tends to be acquired by people who develop (or already have) sensibilities that lead them on a one-dimensional path to acquiring *more* personal wealth, rather than converting it into social wealth (it is perhaps not uncoincidental that Laurence Rockefeller inherited *his* wealth). The only alternative, then, would appear to be the public sector which, despite ideological narratives of austerity and small government, still possesses the wealth and motivation necessary to become the ultimate Angel, just as Franklin D. Roosevelt once imagined.

Discouragingly, more than one study has already been done to suggest that the state as VC is a non-starter, a bad idea that results in widespread failure, adverse selection, and a waste of public resources.¹⁶⁰² However, these studies, located as they are within the limited frame of “VC→Entrepreneurship,” judge the success of public efforts to invest in innovation by the same “return on investment” (ROI) standards as

¹⁶⁰¹ Tom Nicholas, *VC: An American History* (Cambridge, Massachusetts: Harvard University Press, 2019), 92–93.

¹⁶⁰² See, for example, Joshua Lerner, *Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed and What to Do about It*, The Kauffman Foundation Series on Innovation and Entrepreneurship (Princeton: Princeton University Press, 2009); Josh Lerner, “The Government as Venture Capitalist: The Long-Run Impact of the Sbir Program,” SSRN Scholarly Paper (Rochester, NY, February 1, 1998), <https://doi.org/10.2139/ssrn.4746>.

institutional VC—that is, they place inherent value on monopolistic scale and power law returns, rather than on social inclusion and progress. Maybe, though, if we think of the government as an *Angel* investor rather than a VC, and we return to the goal of basic and applied research as opposed to simply entrepreneurship (i.e., the commercialization of invention), we can recover this spirit of social utility and wealth—perhaps we can begin to incentivize the would-be agents of change to produce general purpose goods as opposed to the proprietary products of capitalist corporations. Those general-purpose goods—be they technologies, techniques, or scientific discoveries—can *still* be used by capitalist organizations, they just cannot be *monopolized* by them. By eliminating the incentive towards growth (G) and valorization (E') reduced to investor wealth, we also eliminate the incentive towards M&A activities as a desperate and common means of centralizing capital and all the social power it represents. Furthermore, under the auspices of public scrutiny and democratic guidance, the pattern matching proclivities of public investors investing like Angels will not (one would hope) be allowed to arbitrarily exclude underrepresented members of our communities without answering to the very social body it represents.

The technologist-turned-author Wendy Liu writes in her memoir on Silicon Valley culture that socially useful ideas are almost always a non-starter because they lack economic feasibility, and thus it becomes hard for smart people to pursue causes

they care about.¹⁶⁰³ We must smash this system that discourages social change for the purpose of social betterment, as opposed to economic growth. In a new world of incentives oriented around social utility and wealth, it is not just those chosen as a result of class-based privilege who will be designated geniuses, intellectuals, and heroes, but *anyone* who seeks to change the world for the better and has an idea of how to go about it. Society can begin to find its imagination once again, it can begin to build the worlds it wants based on the worlds it needs, through acts of autopoiesis unconstrained by the exigencies of VC-demanded scale. With the public sector as an Angel Investor, we can afford to build a pluriverse of worlds, without directly attacking the capitalist system, instead of demanding that all worlds be reduced to capitalism's "One-World World."¹⁶⁰⁴

Hearts and Minds

By changing the incentives, we can also change the hearts and minds of those who have been led to believe that VC-backed technology entrepreneurship is the only way to change the world. Technical know-how and youthful exuberance should not be reduced to human capital (HC), just as the outputs of technical know-how and youthful exuberance should not be reduced to capitalist products. One of the challenges I have observed when teaching students about Ethics and Technology is that they lack the imagination, and thus will, to see how life-enhancing inventions and developments

¹⁶⁰³ Wendy Liu, *Abolish Silicon Valley: How to Liberate Technology from Capitalism* (London, UK: Repeater Books, 2020), 118.

¹⁶⁰⁴ Escobar, *Designs for the Pluriverse*, 66–68.

might be distributed *outside* of capitalist modes of distribution. Exemplifying what Mark Fisher refers to as capitalism realism and “reflexive impotence,”¹⁶⁰⁵ they simply cannot imagine how an object developed in a laboratory, or someone’s garage can reach the world without the mediating power of capital. And yet, as I have argued, it is only *because* of capital—and especially VC—that we have developed this belief that there is only one, *massive* world that needs to be reached. It is part of the ideology of capital to believe that the only market is the world market, that an object of utility is *useless* if it cannot be universally applicable. Worlding again encourages us to think about local wants, local needs, about what communities need absent of the demand for profit and a one-stop solution. By teaching my students the basic principles of Design Justice and Inclusive Design, by getting them to think hard about not only what it is that various innovations *can* do, but what they *cannot*, I have seen first-hand how new imaginaries can be formed, how *ethical*, social, concerns can be reintroduced into the conversation and thus realm of possibility.¹⁶⁰⁶ These principles must be made an essential component of the curriculum for STEM-based educational paths. However, a caveat: it is my firm belief that such principles should be taught by experts *in* Design Justice and Inclusive Design, by experts concerned with ethics *rather than* science and technology. While business schools have since the 1980s progressively introduced “business ethics” courses as a standard part of their curriculum, they have had business professors, many

¹⁶⁰⁵ Mark Fisher, *Capitalist Realism: Is There No Alternative?* (Hants, UK: O Books, 2009).

¹⁶⁰⁶ When teaching Design Justice and Inclusive Design, I rely primarily on the following texts: Sasha Costanza-Chock, *Design Justice: Community-Led Practices to Build the Worlds We Need* (Cambridge, MA: MIT Press, 2020); Sara Hendren, *What Can a Body Do? How We Meet the Built World* (Riverhead Books, 2020).

of whom are also practitioners, teach them. Their interest is naturally on the side of business rather than ethics, and they determine the bounds of debate from a set of first principles that already accepts business as an ethical practice.

Of course, universities and other educational institutions also have a role to play in this, and the shift towards “innovation and entrepreneurship” discourses as an unquestionably good has undoubtedly played into the world hegemony of capitalist enterprise. These institutions must be challenged as sites of consensus building for SVC—they are sites of what Hannah Arendt once described as *natality*, as social development through the synthesis of old (teacher) and new (student) ideas. There is a reason the world of SVC values youth so highly (e.g., “if you’re over 30, you’re too old”)—young people want to change the world and have the energy to do it. In general, they lack that sensibility of conservation that comes with having accumulated over a lifetime something—education, wealth, ideas, family, etc.—that might be lost (and thus must be conserved). They are willing to go out on a limb for what they believe in, and that’s why it is precisely what they believe in that matters. VC knows this, hence why it scours universities looking for new talent, or teaches courses inculcating the merits of VC-backed innovation as a means to realize dreams. VC also knows that its agents can no longer do this, precisely *because* they have already done it and accumulated so much wealth that conservation has become central to their ideas and actions. VC *depends* on youth, which is its weakness, but so does the future of social freedom and justice—and without it all is lost.

Universities, of course, as commentators such as Wendy Brown have shown, have been progressively co-opted by neoliberal ideas about social transformation, and have become obsessed like many others with growth above all other ends. Patents are too valuable to pass up in favor of social wealth, thus universities are incentivized to encourage commercialization, turning basic and applied research into potential inputs to purely capitalist innovation and entrepreneurial output. But if this is the university's incentive, and the university is responsible for educating the next generation, how can we expect them to think in terms of social utility? How can we expect alternatives? Manuel Castells, in his study of network power, argues that one of the means we have to effect social change is through radical "reprogramming"—that is, blocking the switches *between* networks, breaking up unhealthy alliances. Through an increase in public investment in basic and applied research (as above), perhaps even with avenues for public careers after an educational journey has concluded, we can break up this alliance between VC and the university, between the university and its dependence on a patent regime that amounts to little more than the formation of legal monopolies. We need to reinvigorate the desire amongst universities and their representatives—educators and students alike—to pursue basic and applied research in the pursuit of public social welfare. We need general purpose goods, as opposed to proprietary products.

Monopoly and Competition

This, then, leads us to the final lever, the final point of potential weakness in the system of VC: its will to monopolization. A young Marx once wrote:

“[T]he sole defense against the capitalists is *competition*, which in the view of political economy has the beneficial effect both of raising wages and cheapening commodities to the advantage of the consuming public. But competition is possible only if capitals multiply and are held by many different people. It is only possible to generate a large number of capitals as a result of multilateral accumulation, since capital in general stems from accumulation. But multilateral accumulation inevitably turns into unilateral accumulation. Competition among capitalists increases accumulation of capitals. Accumulation, which under the rule of private property means *concentration* of capital in few hands, inevitably ensues if capitals are allowed to follow their own natural course. It is only through competition that this natural proclivity of capital begins to take shape.”¹⁶⁰⁷

As may have been gathered from the preceding discussion, I do not place much faith in a fully socialist solution to the problems of capitalism or indeed of VC. It is not that I lack sympathy for the socialist position, but that I believe it to be non-viable in the twenty-first century. Perhaps this is a symptom of my own lack of imagination, but I firmly believe the most strategically practical path forward is both through and alongside the capitalist system. It was this belief that motivated my initially optimistic inquiry into VC in the first place. It is for this reason that I have suggested above that public agencies acting as Angel Investors should act *alongside* capitalism as a system

¹⁶⁰⁷ Karl Marx, “Economic and Philosophical Manuscripts,” in *Early Writings*, trans. Rodney Livingstone and Gregor Benton (London, UK: Penguin Classics, 1992), 300. As

of accumulation, even supporting it by making new inventions and discoveries publicly available to capitalist firms as to any other member of the public. It is also for this reason that I believe, alongside Marx (despite his concomitant misgivings), that encouraging capitalist competition offers a palatable course of action in response to capitalism's worst excesses—notably, its denial of competitive practices through monopolization. Perhaps no institution in the contemporary world is more culpable for the progressive influence of monopolization than VC, as I have attempted to show. And yet, VC is never held to account for its actions in this regard.

Part of the problem is the radical break between VC investment and the post-exit trajectory of VC-backed firms. Another is that the law, at least in the US, is not equipped to deal with the new modes of accumulation (facilitated into being by VC) that build companies on the basis of monopolistic practices that do not appear to be antitrust violations. As Lina Khan has documented in compelling detail, current US law examines antitrust violations in terms of consumer outcomes (especially price), thus if these companies are not invoking monopoly pricing, the law simply cannot rule them in violation of antitrust law, no matter how much they may dominate market share (MSh).¹⁶⁰⁸ As should by now be clear, it is precisely by virtue of the VC model of growth before profits and contracted time (i.e., speculative investment in *future* market dominance and monopoly) that this avoidance of traditional antitrust violations have been made possible. Additionally, it is because VC-backed firms so often engage in

¹⁶⁰⁸ Lina M. Khan, "Amazon's Antitrust Paradox," *The Yale Law Journal* 126, no. 3 (January 2017), <https://www.yalelawjournal.org/article/amazons-antitrust-paradox>.

demand-side, rather than supply-side monopoly practices (at least in a firm's early stages) that consumer outcomes cannot be seen as violated.

This is one of the most difficult problems of all; consumer desire stands on the side of the monopolists. Thus, to challenge the present milieu, we must bring more attention to the patterns and harms invoked by demand-side monopoly. In particular, public authorities must more closely monitor and regulate the strategies of habit formation that are freely admitted to by capitalist producers (VC-backed or otherwise). I believe, as things stand, we are sleepwalking into a global mental health crisis as a result of the strategies of desire pursued by VC-backed firms. So much so that Vivek H. Murthy, Surgeon General of the US, recently penned an editorial in the New York Times calling for warning labels on habit-forming social media platforms: "The mental health crisis among young people is an emergency", he writes, "and social media has emerged as an important contributor."¹⁶⁰⁹ This is a good start, but once again it targets the symptom rather than the cause. When we encourage innovation as the commercialization of invention, and back that process with capital (i.e., VC) that demands growth (G) as its product, grounded in an image of future social necessity, the incentives encouraging design principles oriented towards habit-formation is practically an inevitability. Yet again, the incentives are all wrong.

We need to shore up antitrust legislation so that it can see new, innovative firms as the antitrust violators they are, based on MSh as much as consumer price outcomes

¹⁶⁰⁹ Vivek H. Murthy, "Opinion | Surgeon General: Why I'm Calling for a Warning Label on Social Media Platforms," *The New York Times*, June 17, 2024, sec. Opinion, <https://www.nytimes.com/2024/06/17/opinion/social-media-health-warning.html>.

(both of which would be examples of supply-side monopoly).¹⁶¹⁰ But we also need to adapt the law to account for the type of monopoly I have described as a demand-side monopoly. This is exceedingly difficult—after all, by what standards do we assess such a phenomenon? One avenue may be to measure consumer patterns in a similar way to how supply-side monopolies are measured. For supply-side monopolies, the total number of transactions within a given market are tallied between recognizable competitors and a proportion of total market share allocated to each competitor. If the proportion of any single competitor amounts to greater than 50 percent, they are a monopoly. For demand-side monopoly, this same process would have to be adapted such that the consumer-base for any company accused of demand-side antitrust violations are tallied and compared in their cross-platform (or product) consumption. That is, do consumers of Product-X in Market-Y use any other recognizable products in Market-Y. The problem, of course, as the FTC have discovered in their own attempts to challenge formerly VC-backed supply-side monopolies, is in definitively identifying the market that a particular firm or product is operating within. This is particularly challenging because in many cases these markets have been newly created *with the advent of the product*. One remedy to this challenge might be to have any firm registering with the SEC—not only for the purpose of a public filing, but also when issuing securities to private investors—to self-identify the market it is operating within,

¹⁶¹⁰ One problem facing regulators is that the law lacks definitional protocols for dealing with novel markets. When the FTC attempted to sue Facebook for antitrust violations, Facebook successfully argued in response that the law had no definition of a social media market and thus that Facebook could not be seen to own a monopoly share of any recognizable market. See “Facebook, Inc., FTC v.,” Federal Trade Commission, December 9, 2020, <https://www.ftc.gov/legal-library/browse/cases-proceedings/191-0134-facebook-inc-ftc-v>.

and to have this self-identification verified and agreed upon by regulators. Because the value of publicly or privately listed securities is based on its market potential, the incentive here would be to correctly identify the market within which a firm is operating so as to correctly identify the novelty, potential for growth, and so forth.

One final, perhaps more philosophical point. As I noted earlier in this dissertation, echoing the findings of Fernand Braudel in his three-part work *Civilization and Capitalism*, markets and capitalism are not the same thing. In fact, the latter depends on the former whereas the reverse is not true. It is the great conceptual failure of many public discourses to erroneously equate the two, thereby legitimizing capitalism through discourses pertaining to market society. Braudel in fact went further arguing that “[c]apitalism does not invent hierarchies, any more than it invented the market, or production, or consumption; it merely uses them.”¹⁶¹¹ The fact that capitalism *depends* on such entities—just as VC *depends* upon entrepreneurs—should alert us to the possibility of alternatives. Critical scholars must, I believe, recover some of the potential inherent to market society and to the market as a medium of social action. Markets, I firmly believe, are not inherently exploitative or rapacious, but filled with the potential for human interaction and creativity. They are precisely the kind of “non-totalizable totality” that might exceed, escape, or transcend capital.¹⁶¹² Indeed, this is precisely why capitalism depends on them. Markets are also, however, *especially*

¹⁶¹¹ Fernand Braudel, *Afterthoughts on Material Civilization and Capitalism*, trans. Patricia Ranum (Baltimore, Maryland: Johns Hopkins University Press, 1977), 75.

¹⁶¹² I take the concept of non-totalizability from Foucault’s discussion of the market and its relation to knowledge in Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France 1978-1979* (New York: Picador, 2008), 282.

in the context of capitalism, competitive. That is, were markets actually to be free, rather than determined by monopoly interests, then competition—what Marx has identified as the “sole defense against the capitalists—might bring us back to the social potential inherent to exchange.¹⁶¹³

In terms of capitalist accumulation, it is not so much the conversion of use value into exchange value that is the problem. Material life, a domain of pure utility, can benefit from and use market exchanges to its benefit. It is the exploitation of labor for the purpose of surplus value extraction that makes capitalism antithetical to social freedom. But how can we respond when there *is* no exploitation?¹⁶¹⁴ Braudel notes in his distinction between material life, market society, and capitalism that exchange, the basis of market society, takes two forms: “one is down-to-earth, is based on competition, and is almost transparent; the other, a higher form, is sophisticated and domineering ... the capitalist sphere is located in the higher form.”¹⁶¹⁵ As such, there are two types of markets, one we might describe as socially beneficial, and one not. It is to the former that we need to set our attention, because the former offers us the

¹⁶¹³ Obviously this claim, from Marx’s 1844 *Economic and Philosophical Manuscripts* comes before *The Communist Manifesto* of 1848 and its related theses. In the earlier work, Marx argues that capital will do all it can to negate competition—echoing Thiel, Braudel, and others—in the latter work, he argues that capitalism will collapse upon its own contradictions. Notably, after the general failure of 1848’s revolutionary fervor, Marx demonstrated pessimism towards the communist thesis as outlined in the *Manifesto*, moving into his “critique” phase in what Althusser has referred to as Marx’s “epistemological break.” The point is that Marx was constantly adjusting his theory to account for prevailing historical conditions. It is my firm view that we should do the same.

¹⁶¹⁴ Of course, the reality is that under the VC mode of production exploitation is minimized but never eliminated. I am here merely playing along with the narrative of VC.

¹⁶¹⁵ Braudel, *Afterthoughts on Material Civilization and Capitalism*, 62.

possibility of recovering markets from the domination of capital. In challenging capitalism we must not, I believe, throw the baby out with the bathwater.

When the Birmingham School challenged the Frankfurt School's thesis of all-encompassing cultural domination, scholars such as Stuart Hall argued that while culture is indeed a tool of control, but also has the potential to fragment into subcultures that may subvert any overarching cultural domination in a form of immanent critique.¹⁶¹⁶ I see the same possibility in markets divorced from capital. Yes, capitalist markets can be all-encompassing and dominating, but they can also fragment away from the world market into local markets that might serve truly social goals. Markets divorced from capital still hold social potential. This argument becomes especially relevant in the context of VC, because VC essentially proves that small markets can be made viable prior to surplus value extraction. There is a glimmer of possibility between the pursuit of market space (MS) and their growth (G) into capitalist monopolies. There is a moment in which they have created but not yet fully capitalized, and it is to this moment that we must seek the possibility of fragmentation, and of immanent critique. VC proves it is possible to renew the world on a small scale, only it always follows this proof with the same familiar act of reproduction. Markets should be unleashed from their capitalist chains, and this I believe might be possible through public investments in uncaptialized markets—which we *know* can exist, given appropriate social will and desire. When markets are entered on the basis of self-instigated, rather than other-

¹⁶¹⁶ “Chapter 7: Disciplining Cultural Studies,” in *Thinking Popular Culture*, by Jason Haslam (Pearson Canada, 2014), 111–35.

instigated (i.e., capitalist) desire, material life will be subsumed only as and when needed *for* material life, and not when required for class-based (capitalist) accumulation. My great hope is that VC has inadvertently proven this possibility.

A Future for Social Necessity

Perhaps, the great difficulty of my study has been that so much of the world produced by VC appears simply wonderful, and that's because in some ways it is. The objects manifest through the intensities of VC-backed production have, in many ways, changed the world for the better and remedied many of its historical ills, but it has done so in a way that has captured economic value for the few while imposing social costs on the many, dispossessing workers of their livelihoods across a vast range of sectors, eliminating consumer choice in the process; it has removed alternatives from view and set us upon a path-dependent historical journey stripped of all but the barest glimmer of social agency. To understand our alternatives, it is necessary to interrogate the balance between social freedom and necessity, and to do that it is necessary to maintain faith and to use what has been learned from this dissertation.

At first glance, the options that confront us appear twofold: (1) reclaim control of social necessity, take back what has been sequestered by class-based interests, and put social necessity to work for all members of society—that is, make equity equitable, or (2) negate social necessity, act to bring about spaces, modes, and opportunities for the enactment of social freedom—that is, tie realization to self-realization. The reality is that neither alone will suffice to bring about social justice—just as capital knows

neither alone will suffice to bring about social domination. VC works and is successful because it merges social necessity and freedom in a dialectic of social reproduction and renewal – it takes radical novelty and brings it into the fold of hierarchical tradition. In doing so, it legitimizes itself as ‘progressive’. Social justice movements, to build their own consensus, must take note of this. As political philosophers (and capitalists) have long realized, the answer lies somewhere in a balance of freedom and necessity, in a system of grounded openness. Given the massive, often monopolistic scale of VC-backed firms and ideas, human life is increasingly dominated by socially necessary products and services that deny in advance the legitimacy of alternatives (or simply erase them from view). And yet, these are the same products and services we associate with social progress and prosperity: mRNA vaccines, satellite communications, search engines, and so forth.

In the final analysis, I shall therefore say this: social necessity is not, in itself, an ill. The essence of the problem lies in the erasure of alternatives as a means of consolidating and preserving power. In seeing a better future, we should look to generality over particularity – to generative AI as opposed to OpenAI, to search engines instead of Google, to mRNA vaccines instead of Moderna, and to social necessity not reduced to supply-side monopoly. Only then, might social freedom be realized in conjunction with that which is necessary.

A Final Thought: VC Comes into the Political Open?

As we enter into the 2024 US election cycle, the politics of VC appears to be on full display. Presidential hopeful Donald Trump has nominated J.D. Vance, a former VC, as his running mate; prominent VCs such as David Sacks have hosted lucrative fundraising events and publicly argued the case for a second Trump presidency; VC Marc Andreessen and Ben Horowitz have both donated and publicly attested to their support of Trump; and entrepreneur Elon Musk, the richest person on the planet, through his VC-backed mouthpiece X.com has denigrated Democratic Party candidates while stating that he will donate \$40 million per month to Trump's election campaign. On the other side, VCs such as Reid Hoffman have been vehemently arguing the case for a Presidential candidate from the Democratic Party while attacking Trump and others. Are the politics of VC coming out of the shadows?

We should not be fooled. Beyond the VC process, with its role of renewal and reproduction in the global capitalist system, the appearance of wealthy capitalists possessing the job title "Venture Capitalist" is just that: the appearance of wealthy, and thus powerful individuals attempting to influence the political process of democratic governance according to their preferences and personal ambitions. Be it Warren Buffet or Peter Thiel, the practical effects are the same.

In fact, this is not even the first time VC has swarmed around the Presidency. Peter Thiel, who bankrolled J.D. Vance's political career, helping him get elected to the Senate in the first place, was appointed as an advisor to Trump during his first reign and attempted to get another VC, Balaji Srinivasan, appointed as Commissioner to the

Food and Drug Administration (FDA). Remarkably, Trump’s Chief White House Strategist Steve Bannon, an extreme figure if ever there was one, found Thiel too extreme for the Trump Administration, unceremoniously removing him before he could have any concrete impact.

While Thiel is a self-ascribed libertarian and Srinivasan demonstrates libertarianesque tendencies, the truth is that their brand of libertarianism is so extreme, so anti-government, that actually operating within the halls of government is a contradiction too far. Thus it is not surprising that in their private (VC) investments they have been promoting alternatives to traditional governance through startup (or “charter”) cities—an attempt that, in the long term, they hope will completely disrupt the legitimacy of sovereign states, leading to what the infamous Silicon Valley blogger Mencius Moldbug (real name Curtis Yarvin) has described as a system of neocameralism, whereby governance becomes a business, capitalist markets are the only form of order, and a technocratic monarchy is the sole form of power.¹⁶¹⁷

The VC interest in Trump is understandable—after all, he does present himself as an anti/establishment figure (as does Vance).¹⁶¹⁸ But Trump is only one half of the

¹⁶¹⁷ For an account of Thiel’s and Srinivasan’s links to Moldbug, see Klint Finley, “Geeks for Monarchy: The Rise of the Neoreactionaries,” TechCrunch, November 23, 2013, <https://techcrunch.com/2013/11/22/geeks-for-monarchy/>; For a first-hand account of Moldbug’s neocameralist ideology see Mencius Moldbug, “A Formalist Manifesto,” Unqualified Reservations, accessed July 23, 2024, <https://www.unqualified-reservations.org/2007/04/formalist-manifesto-originally-posted/>.

¹⁶¹⁸ Although it should be noted that Trump is far from being part of the “new” establishment as I have argued VC is and, despite his antiestablishment rhetoric, falls squarely into the category of “old” establishment money. James Politi and Lauren Fedor, “JD Vance Proclaims ‘America First’ as Republicans Embrace Economic Populism,” *Financial Times*, July 18, 2024, sec. US presidential election 2024, <https://www.ft.com/content/1882d80c-4835-4397-b91f-5218156c3269>.

equation. As I showed in Chapter 2, building on the work of Broockman et al., Silicon Valley Culture is not strictly libertarian but better described as a form of conservative radicalism.¹⁶¹⁹ It is a weird hybrid in which the desire to maintain traditional power hierarchies sits uneasily alongside the will to change and disrupt power relations, often as a means of attaining *more* power. When “never-Trumpers” such as Hoffman make their arguments, they are doing so entirely in alignment with this characterization. The difference is that, unlike Thiel and others, they are socially and economically liberal, the only exception being when it comes to their own business dealings (in which case the consensus is that the government should stay well-clear). Trump supporters such as Sacks, Andreessen, Horowitz, and so forth, have the same will to protect or *insulate* their business dealings from government intervention (e.g., taxation, regulation), but are they socially conservative or merely socially *indifferent*? In fact, what is notable about both VC groups, on the left and on the right, is their techno-optimism, their absolute fanatical adherence to what I have described as the Silicon Valley Consensus. All profess a desire to see a capital and technology-friendly government, in which *their* vision of progress is allowed to proceed unhindered. To people like Andreessen, issues like abortion and democratic deficit are quaint distractions to society’s “real” hindrances—they are general “problems” that capital-backed technology can and will eventually “solve.”¹⁶²⁰ It is, in my view, based on all that has been argued, that *this*

¹⁶¹⁹ David E. Broockman, Gregory Ferenstein, and Neil Malhotra, “Predispositions and the Political Behavior of American Economic Elites: Evidence from Technology Entrepreneurs,” *American Journal of Political Science* 63, no. 1 (January 2019): 212–33, <https://doi.org/10.1111/ajps.12408>.

¹⁶²⁰ Dan Primack, “Andreessen Horowitz Says It Will Donate to Political Candidates,” Axios, December 14, 2023, <https://www.axios.com/2023/12/14/andreessen-horowitz-says-it-will-donate-to-political-candidates>.

aspect that should concern us in relation to the politics of VC—for further unleashing the Silicon Valley Consensus is where the true political force of VC lies.

Bibliography

“80+ Facebook Statistics You Need to Know in 2023 - Omnicore,” March 3, 2023.

<https://www.omnicoreagency.com/facebook-statistics/>.

Abell, Peter. “Performance Effects of Venture Capital Firm Networks.” *Management Decision* 45, no. 5 (May 2007). <https://doi.org/10.1108/00251740710753729>.

Adkins, Lisa, Melinda Cooper, and Martijn Konings. *The Asset Economy*. Cambridge, UK: Polity Press, 2020.

Agamben, Giorgio. *The Time That Remains: A Commentary on the Letter to the Romans*. Meridian, Crossing Aesthetics. Stanford, Calif: Stanford University Press, 2005.

Aghion, Philippe, and Peter Howitt. *The Economics of Growth*. Cambridge, MA: MIT Press, 2008.

AISCH, GREGOR, LARRY BUCHANAN, AMANDA COX, and KEVIN QUEALY. “Economic Diversity and Student Outcomes at Stanford.” *The New York Times*, January 18, 2017, sec. The Upshot. <https://www.nytimes.com/interactive/projects/college-mobility/stanford-university>.

Aktas, Nihat, Christian Andres, and Ali Ozdakak. “The Interplay of IPO and M&A Markets.” In *The Oxford Handbook of IPOs*, edited by Douglas Cumming and Sofia A. Johan, 201–32. New York, NY: Oxford University Press, 2018.

Althusser, Louis. “Critique and Science in Capital.” In *Reading Capital: The Complete Edition*, 100–174. Verso Books, 2016.

- . *For Marx*. Translated by Ben Brewster. London, UK: Verso, 1996.
- . “Ideology and Ideological State Apparatuses.” In *Mapping Ideology*, edited by Slavoj Žižek. London: Verso Books, 2012.
- . “Ideology and Ideological State Apparatuses (Notes towards an Investigation).” In *Mapping Ideology*, edited by Slavoj Žižek, 100–140. London, UK: Verso, 2012.
- . *On the Reproduction of Capitalism*. Translated by G.M. Goshgarian. London, UK: Verso, 2014.
- Altman, Sam. “Employee Equity.” *Sam Altman* (blog), April 18, 2014.
<https://blog.samaltman.com/employee-equity>.
- “Amazon.Com, Inc. - Annual Reports, Proxies and Shareholder Letters.” Accessed May 23, 2023. <https://ir.aboutamazon.com/annual-reports-proxies-and-shareholder-letters/default.aspx>.
- Amit, Raphael, James Brander, and Christoph Zott. “Why Do Venture Capital Firms Exist? Theory and Canadian Evidence.” *Journal of Business Venturing* 13 (1998): 441–66.
- Andreessen, Marc. “The Only Thing That Matters.” *The Pmarca Guide To Startups* (blog), June 25, 2007. https://fictivekin.github.io/pmarchive-jekyll/guide_to_startups_part4.
- . “The Techno-Optimist Manifesto.” *Andreessen Horowitz* (blog), October 16, 2023. <https://a16z.com/the-techno-optimist-manifesto/>.

- . “Why AI Will Save the World.” *Andreessen Horowitz* (blog), June 6, 2023.
<https://a16z.com/ai-will-save-the-world/>.
- . “Why Bitcoin Matters.” *The New York Times*, January 21, 2014, sec.
DealBook. <https://dealbook.nytimes.com/2014/01/21/why-bitcoin-matters/>.
- . “Why Software Is Eating the World.” *Wall Street Journal*, August 19, 2011,
sec. Life and Style.
<http://online.wsj.com/article/SB10001424053111903480904576512250915629460.html>.
- “Annual Reports.” Accessed May 22, 2023.
<https://investors.modernatx.com/financials/annual-reports/default.aspx>.
- “Annual Reports & Proxy Statements | Peloton Interactive, Inc.” Accessed May 23,
2023. <https://investor.onepeloton.com/financial-information/annual-reports/>.
- Ante, Spencer E. *Creative Capital: George Doriot and the Birth of Venture Capital*.
USA: Harvard Business Press, 2008.
- Armour, John, and Douglas Cumming. “The Legislative Road to Silicon Valley.”
Oxford Economic Papers 58, no. 4 (2006): 596–635.
- Arrow, Kenneth J. “The Economic Implications of Learning by Doing.” *The Review
of Economic Studies* 29, no. 3 (1962): 155–73.
<https://doi.org/10.2307/2295952>.
- Asiedu, Kwasi Gyamfi. “California Gas Prices 2022: LA Mulls Gas Station Ban -
Protocol.” *Protocol*, June 24, 2022. <https://www.protocol.com/bulletins/los-angeles-gas-stations-ban>.

- Audreusch, David B. *The Entrepreneurial Society*. Online. New York, NY: Oxford University Press, 2007.
- <https://doi.org/10.1093/acprof:oso/9780195183504.001.0001>.
- Avdeitchikova, Sofia. “The Geographic Organization of ‘venture Capital’ and ‘Business Angels.’” In *Handbook of Research on Venture Capital: Volume 2 A Globalizing Industry*, edited by Hans Landström and Colin Mason, 2:175–208. Cheltenham, UK: Edward Elgar Publishing, 2012.
- Axios. “Axios Pro Rata: Senator VC,” October 17, 2022.
- <https://www.axios.com/newsletters/axios-pro-rata/>.
- Ayache, Elie. “In the Middle of the Event.” In *The Medium of Contingency*, edited by Robin Mackay, 19–33. Falmouth, UK: Urbanomic, 2015.
- Baert, Patrick, and Marcus Morgan. “A Performative Framework for the Study of Intellectuals.” *European Journal of Social Theory* 21, no. 3 (August 1, 2018): 322–39. <https://doi.org/10.1177/1368431017690737>.
- Bagley, Constance E., and Craig E. Dauchy. *The Entrepreneur’s Guide to Law and Strategy*. Fifth Edition. Boston, MA: Cengage Learning, 2018.
- Bahrami, Homa, and Stuart Evans. “Flexible Recycling and High-Technology Entrepreneurship.” In *Understanding Silicon Valley: The Anatomy of an Entrepreneurial Region*, edited by Martin Kenney, 165–89. Stanford, CA: Stanford University Press, 2000.
- Bains, William. *Venture Capital and the European Biotechnology Industry*. Cheltenham, UK: Palgrave Macmillan, 2009.

Balaji Srinivasan at Startup School 2013, 2013.

<https://www.youtube.com/watch?v=cOubCHLXT6A>.

Bandinelli, Carolina. *Social Entrepreneurship and Neoliberalism*. Rowman & Littlefield, 2019.

Barbrook, Richard, and Andy Cameron. "The Californian Ideology." *Mute*, September 1, 1995. <https://www.metamute.org/editorial/articles/californian-ideology>.

Barlow, John Perry. "Crime and Puzzlement." Electronic Frontier Foundation, June 8, 1990. <https://www EFF.org/pages/crime-and-puzzlement>.

Baum, Joel A.C., and Brian S. Silverman. "Picking Winners or Building Them? Alliance, Intellectual and Human Capital as Selection Criteria in Venture Financing and Performance of Biotechnology Startups." *Journal of Business Venturing* 19 (2004): 411–36.

Baumol, William J. "Entrepreneurship: Productive, Unproductive, and Destructive." *Journal of Political Economy* 98, no. 5 (October 1990): 893–921.

Becker, Gary. *Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education*. Third. Chicago, USA: University of Chicago Press, 1964.

Ben-Ami, Daniel. *Ferraris For All: In Defence of Economic Progress*. Bristol, UK: Policy Press, 2010.

- Bengtsson, Ola. "Financial Contracting in U.S. Venture Capital: Overview and Empirical Evidence." In *The Oxford Handbook of Venture Capital*, edited by Douglas Cumming, 478–508. New York, NY: Oxford University Press, 2012.
- Bengtsson, Ola, and David H. Hsu. "Ethnic Matching in the U.S. Venture Capital Market." *Journal of Business Venturing* 30, no. 2 (March 1, 2015): 338–54. <https://doi.org/10.1016/j.jbusvent.2014.09.001>.
- Benjamin, Ruha. *Race After Technology*. Cambridge, UK: Polity Press, 2019.
- Benjamin, Walter. "Theses on the Philosophy of History." In *Illuminations: Essays and Reflections*, edited by Hannah Arendt, translated by Harry Zohn, 253–64. New York: Schocken Books, 1968.
- Bernard, Zoë. "Andreessen Horowitz Looks to Launch Opinion Publication as Its Media Ambition Grows." *The Information*, January 19, 2021. <https://www.theinformation.com/articles/andreessen-horowitz-looks-to-launch-opinion-publication-as-its-media-ambition-grows>.
- Bernstein, Shai, Arthur Korteweg, and Kevin Laws. "Attracting Early-Stage Investors: Evidence from a Randomized Field Experiment." *The Journal of Finance* 72, no. 2 (2017): 509–38. <https://doi.org/10.1111/jofi.12470>.
- Bettignies, Jean-Etienne de, and James A. Brander. "Financing Entrepreneurship: Bank Finance versus Venture Capital." *Journal of Business Venturing* 22 (2007): 808–32.

- Bhagat, Sanjai, Jun Lu, and Srinivasan Rangan. "IPO Valuation: The International Evidence." In *The Oxford Handbook of IPOs*, edited by Douglas Cumming and Sofia A. Johan, 108–45. New York, NY: Oxford University Press, 2018.
- Birch, Kean. "Reflexive Expectations in Innovation Financing: An Analysis of Venture Capital as a Mode of Valuation." *Social Studies of Science*, August 15, 2022, 030631272211183. <https://doi.org/10.1177/03063127221118372>.
- Birley, Sue. "The Role of Networks in the Entrepreneurial Process." *Journal of Business Venturing* 1 (1985): 107–17.
- "Bitcoin P2P E-Cash Paper | Satoshi Nakamoto Institute." Accessed February 15, 2024. <https://satoshi.nakamotoinstitute.org/emails/cryptography/12/>.
- Black, Bernard S., and Ronald J. Gilson. "Venture Capital and the Structure of Capital Markets: Banks versus Stock Markets." *Journal of Financial Economics* 47, no. 3 (March 1998): 243–77.
- Bonini, Stefano. "The Development of Venture Capital, Macroeconomic, Political, and Legal Determinants." In *The Oxford Handbook of Venture Capital*, edited by Douglas Cumming, 824–63. New York, NY: Oxford University Press, 2012.
- Botsman, Rachel. *Who Can You Trust? How Technology Brought Us Together and Why It Might Drive Us Apart*. New York, NY: PublicAffairs, 2017.
- Bourdieu, Pierre. *Forms of Capital: General Sociology, Volume 3: Lectures at the Collège de France 1983-84*. Polity, 2021. Forms of Capital: Vol 3.

- . *Outline of a Theory of Practice*. Translated by Richard Nice. Cambridge, UK: Cambridge University Press, 1977.
- . “The Forms of Capital.” In *Handbook of Theory and Research for the Sociology of Education*, edited by John G. Richardson. Greenwood, 1986.
- Boutillier, Sophie. “Entrepreneur and Economists.” In *Encyclopedia of Creativity, Invention, Innovation and Entrepreneurship*, edited by E.G. Carayannis. New York, NY: Springer, 2013.
- Bratton, Benjamin. *The Stack: On Software and Sovereignty*. Cambridge, Massachusetts: MIT Press, 2015.
- Braudel, Fernand. *Afterthoughts on Material Civilization and Capitalism*. Translated by Patricia Ranum. Baltimore, Maryland: Johns Hopkins University Press, 1977.
- . *The Perspective of the World*. Translated by Siân Reynolds. Vol. III. Civilization and Capitalism: 15th to 18th Century. New York, NY: Harper & Row, 1984.
- . *The Structures of Everyday Life: The Limits of the Possible*. Translated by Siân Reynolds. Vol. I. Civilization and Capitalism: 15th to 18th Century. Berkeley and Los Angeles: University of California Press, 1981.
- . *The Wheels of Commerce*. Translated by Siân Reynolds. Vol. II. Civilization and Capitalism: 15th to 18th Century. New York, NY: Harper & Row, 1982.

Brewster, Lucy. “Accelerators See a Spike in Interest as VCs like Sequoia and Accel Look to Bulk up Seed Stage Investing.” *Fortune*, May 10, 2023.

<https://fortune.com/2023/05/10/accelerators-seed-investing/>.

———. “M&A for Venture-Backed Startups Has Fallen to the Lowest Quarterly Level in a Decade.” *Fortune*, April 24, 2023.

<https://fortune.com/2023/04/24/ma-for-venture-backed-startups-has-fallen-to-the-lowest-quarterly-level-in-a-decade/>.

Bridge, Maria. “The Facebook Files: Tech’s Big Tobacco Moment - Center for Humane Technology.” *Center for Humane Technology*, September 21, 2021.
<https://www.humanetech.com/insights/the-facebook-files-techs-big-tobacco-moment>.

Brodnock, Erika, and Johannes Lenhard. *Better Venture: Improving Diversity, Innovation, and Profitability in Venture Capital and Startups*. San Francisco, CA: Holloway, 2023.

Broockman, David E., Gregory Ferenstein, and Neil Malhotra. “Predispositions and the Political Behavior of American Economic Elites: Evidence from Technology Entrepreneurs.” *American Journal of Political Science* 63, no. 1 (January 2019): 212–33. <https://doi.org/10.1111/ajps.12408>.

Brown, Eliot, and Maureen Farrell. *The Cult of We: WeWork, Adam Neumann, and the Great Startup Delusion*. New York, NY: Crown, 2021.

Brown, Wendy. “Neo-Liberalism and the End of Liberal Democracy.” *Theory & Event* 7, no. 1 (November 6, 2003). <https://doi.org/10.1353/tae.2003.0020>.

———. *Undoing the Demos*. Brooklyn, NY: Zone Books, 2015.

Burfield, Evan. *Regulatory Hacking: A Playbook for Startups*. New York, NY: Portfolio/Penguin, 2018.

Burleson, Emily. “Politics-Driven US ESG Debate Creates Sustainable Investing Challenge.” *PitchBook*, July 18, 2023, sec. News & Analysis.
<https://www.pitchbook.com/news/articles/esg-impact-investing-europe-north-america-us-sustainable>.

Busenitz, Lowell W. “Innovation and Performance Implications of Venture Capital Involvement in the Ventures They Fund.” In *Handbook of Research on Venture Capital*, edited by Hans Landström, 1:219–35. Cheltenham, UK: Edward Elgar, 2007.

Bush, Vannevar. “Science: The Endless Frontier.” Office of Scientific Research and Development, July 1945. <https://www.nsf.gov/od/lpa/nsf50/vbush1945.htm>.

Bussgang, Jeffrey. *Mastering the VC Game: A Venture Capital Insider Reveals How to Get from Start-up to IPO on Your Terms*. Portfolio/Penguin, 2011.

Butler, Judith. *The Psychic Life of Power: Theories in Subjection*. Stanford, California: Stanford University Press, 1997.

Butler, Timothy, and Marc Andreessen. “Hiring an Entrepreneurial Leader.” In *HBR’s 10 Must Reads on Entrepreneurship and Startups*, edited by Harvard Business Review. HBR’s Must Reads. Boston, Massachusetts: Harvard Business Review Press, 2018.

- Cable, Daniel M., and Scott Shane. "A Prisoner's Dilemma Approach to Entrepreneur-Venture Capitalist Relationships." *Academy of Management Review* 22, no. 1 (January 1997): 142–76.
- Callinicos, Alex. *Making History: Agency, Structure, and Change in Social Theory*. Chicago: Haymarket Books, 2006.
- Carlson, Courtney. "IPOs Are Coming Back: Time to Buy the Dip on These Bank Stocks? | Nasdaq." *NASDAQ*, November 4, 2023, sec. News and Insights. <https://www.nasdaq.com/articles/ipos-are-coming-back:-time-to-buy-the-dip-on-these-bank-stocks#>.
- Carreyrou, John. *Bad Blood: Secrets and Lies in a Silicon Valley Startup*. New York, NY: Knopf, 2018.
- Carroll, Rory. "Silicon Valley's Culture of Failure ... and 'the Walking Dead' It Leaves Behind." *The Guardian*, June 28, 2014, sec. Technology. <https://www.theguardian.com/technology/2014/jun/28/silicon-valley-startup-failure-culture-success-myth>.
- Carson, Biz. "Sequoia's Roelof Botha Has a Plan to Remake the VC Industry." *Protocol*, February 8, 2022. <https://www.protocol.com/sequoia-roelof-botha>.
- Carstens, Delphi, and Nick Land. "'Hyperstition: An Introduction.'" *Orphan Drift Archive* (blog). Accessed June 26, 2024. <https://www.orphandrifarchive.com/articles/hyperstition-an-introduction/>.
- Carter, Nancy, Candida Brush, Patricia Greene, Elizabeth Gatewood, and Myra Hart. "Women Entrepreneurs Who Break through to Equity Financing: The

- Influence of Human, Social and Financial Capital.” *Venture Capital* 5, no. 1 (January 2003): 1–28. <https://doi.org/10.1080/1369106032000082586>.
- Casper, Steven. *Creating Silicon Valley in Europe : Public Policy Towards New Technology Industries*. Oxford: Oxford University Press, 2007.
- Cassel, Johan, Josh Lerner, and Emmanuel Yimfor. “Racial Diversity in Private Capital Fundraising.” SSRN Scholarly Paper. Rochester, NY, September 18, 2022. <https://doi.org/10.2139/ssrn.4222385>.
- Castells, Manuel. “A Network Theory of Power.” *International Journal of Communication* 5 (2011): 773–87.
- CBInsights. “The State of Venture in 5 Charts: Funding and Deals Continue Their Slide in Q1’23 to Pre-Pandemic Levels.” CBInsights, April 12, 2023. <https://www.cbinsights.com/research/report/venture-trends-q1-2023/>.
- Celikyurt, Ugur, Merih Sevilir, and Anil Shivdasani. “Going Public to Acquire? The Acquisition Motive in IPOs.” SSRN Scholarly Paper. Rochester, NY, June 30, 2008. <https://doi.org/10.2139/ssrn.1153508>.
- Centers for Disease Control and Prevention. “CDC Museum COVID-19 Timeline,” March 15, 2023. <https://www.cdc.gov/museum/timeline/covid19.html>.
- Chafkin, Max. *The Contrarian*. USA: Penguin Press, 2021.
- Chang, Emily. *Brotopia: Breaking up the Boys’ Club of Silicon Valley*. New York, NY: Portfolio/Penguin, 2018.
- “Chapter 7: Disciplining Cultural Studies.” In *Thinking Popular Culture*, 111–35. Pearson Canada, 2014.

- Chesbrough, Henry W. *Open Innovation: The New Imperative for Creating and Profiting from Technology*. Boston, Massachusetts: Harvard Business School Press, 2003.
- Chow, Andrew R. “What to Know About Worldcoin and the Controversy Around It.” *Time*, August 3, 2023. <https://time.com/6300522/worldcoin-sam-altman/>.
- Christensen, Clayton M. *The Innovator’s Dilemma*. Boston, Massachusetts: Harvard Business Review Press, 2016.
- Christophers, Brett. *Our Lives in Their Portfolios: Why Asset Managers Own the World*. London, UK: Verso, 2023.
- . *Rentier Capitalism: Who Owns the Economy, and Who Pays for It?* London, UK: Verso, 2020.
- Clark, Kate. “Peloton’s Founder Had a Hard Time Raising VC—Now His Company Is Worth \$4.1B.” *Pitchbook*, August 3, 2018. <https://pitchbook.com/news/articles/the-founder-of-peloton-had-a-hard-time-raising-vcand-now-his-companys-worth-4b>.
- Cochrane, John H. “The Risk and Return of Venture Capital.” Working Paper. Working Paper Series. National Bureau of Economic Research, January 2001. <https://doi.org/10.3386/w8066>.
- Cohen, Benjamin. “The IPE of Money Revisited.” *Review of International Political Economy* 24, no. 4 (July 4, 2017): 657–80. <https://doi.org/10.1080/09692290.2016.1259119>.

- Cohen, Julie E. “The Biopolitical Public Domain: The Legal Construction of the Surveillance Economy.” *Philosophy & Technology* 31 (March 28, 2017): 213–33.
- Cohen, Stephen S., and Gary Fields. “Social Capital and Capital Gains: An Examination of Social Capital in Silicon Valley.” In *Understanding Silicon Valley: The Anatomy of an Entrepreneurial Region*, edited by Martin Kenney, 190–217. Stanford, CA: Stanford University Press, 2000.
- Coleman, James S. “Social Capital in the Creation of Human Capital.” *American Journal of Sociology*, January 1, 1988. <https://doi.org/10.1086/228943>.
- Colombo, Massimo G., and Luca Grilli. “On Growth Drivers of High-Tech Start-Ups: Exploring the Role of Founders’ Human Capital and Venture Capital.” *Journal of Business Venturing* 25 (2010): 610–26.
- Conde, Jorge. “Biotech Researchers Venture into the Wild to Start Their Own Business | TechCrunch.” *TechCrunch*, August 9, 2019. <https://techcrunch.com/2019/08/09/biotech-researchers-venture-into-the-wild-to-start-their-own-business/>.
- Condra, Paul. “Emerging Tech Research: The Postdigital Era.” PitchBook, December 22, 2022. https://files.pitchbook.com/website/files/pdf/Q4_2022_PitchBook_Analyst_Note_The_Postdigital_Era.pdf.

- Cooiman, Franziska. "Imprinting the Economy: The Structural Power of Venture Capital." *Environment and Planning A: Economy and Space*, November 16, 2022, 0308518X221136559. <https://doi.org/10.1177/0308518X221136559>.
- Cooper, Arnold C., F. Javier Gimeno-Gascon, and Carolyn Y. Woo. "Initial Human and Financial Capital as Predictors of New Venture Performance." *Journal of Business Venturing* 9, no. 5 (September 1, 1994): 371–95. [https://doi.org/10.1016/0883-9026\(94\)90013-2](https://doi.org/10.1016/0883-9026(94)90013-2).
- Costanza-Chock, Sasha. *Design Justice: Community-Led Practices to Build the Worlds We Need*. Cambridge, MA: MIT Press, 2020.
- Couldry, Nick, and Ulises A. Mejias. "Data Colonialism: Rethinking Big Data's Relation to the Contemporary Subject." *Television & New Media* 20, no. 4 (May 1, 2019): 336–49. <https://doi.org/10.1177/1527476418796632>.
- Cox, Robert W. "Social Forces, States and World Orders: Beyond International Relations Theory." *Millennium* 10, no. 2 (1981): 126–55.
- Craib, Raymond B. *Adventure Capitalism: A History of Libertarian Exit, from the Era of Decolonization to the Digital Age*. Oakland, CA: PM Press, 2022.
- Crawford, Kate, and Vladan Joler. "Anatomy of an AI System: The Amazon Echo As An Anatomical Map of Human Labor, Data and Planetary Resources." AI Now Institute and Share Lab, 2018. <https://anatomyof.ai/>.
- Criddle, Cristina, Suzi Ring, and Tim Bradshaw. "Adobe and Figma Abandon Proposed \$20bn Merger." *Financial Times*, December 18, 2023, sec. Mergers

and Acquisitions. <https://www.ft.com/content/b75b669f-1161-43e8-86ac-580123433843>.

Cumming, Douglas. “Contracts and Exits in Venture Capital Finance.” *The Review of Financial Studies* 21, no. 5 (September 1, 2008): 1947–82.

<https://doi.org/10.1093/rfs/hhn072>.

———, ed. *The Oxford Handbook of Venture Capital*. New York, NY: Oxford University Press, 2012.

———. “Venture Capital Financial Contracting: An Overview of the International Evidence.” In *Handbook of Research on Venture Capital: Volume 2 A Globalizing Industry*, edited by Hans Landström and Colin Mason, 2:70–97. Cheltenham, UK: Edward Elgar Publishing, 2012.

Cumming, Douglas, and Na Dai. “The Role of Geographic Proximity in Venture Capital.” In *The Oxford Handbook of Venture Capital*, edited by Douglas Cumming, 897–937. New York, NY: Oxford University Press, 2012.

Cumming, Douglas, and Sofia A. Johan, eds. *The Oxford Handbook of IPOs*. New York, NY: Oxford University Press, 2018.

Cumming, Douglas, and Sofia Atiqah binti Johan. “Preplanned Exit Strategies in Venture Capital.” *European Economic Review* 52, no. 7 (October 2008): 1209–41. <https://doi.org/10.1016/j.euroecorev.2008.01.001>.

Daub, Adrian. *What Tech Calls Thinking*. FSG Originals x Logic. New York, USA: Farrar, Straus and Giroux, 2020.

- Davis, Alexander. "Black VCs Could Face Bigger Hurdles in Venture Market Slowdown." *PitchBook*, February 20, 2022, sec. News & Analysis. <https://www.pitchbook.com/news/articles/black-vcs-diversity-venture-funding>.
- De Clercq, Dirk, and Dimo Dimov. "Venture Capital Firms: A Human Capital Perspective." In *Handbook of Research on Venture Capital: Volume 2 A Globalizing Industry*, edited by Hans Landström and Colin Mason, 2:101–23. Cheltenham, UK: Edward Elgar Publishing, 2012.
- De Clercq, Dirk, and Sophie Manigart. "The Venture Capital Post-Investment Phase: Opening the Black Box of Involvement." In *Handbook of Research on Venture Capital*, edited by Hans Landström, 1:193–218. Cheltenham, UK: Edward Elgar, 2007.
- Debord, Guy. *Society of the Spectacle*. Black & Red, 2000.
- Delbecq, André L. "Innovation as a Silicon Valley Obsession." *Journal of Management Inquiry* 3, no. 3 (1994): 266–75.
- Deleuze, Gilles. "Postscript on the Societies of Control." *October* 59 (1992): 3–7.
- Deleuze, Gilles, and Felix Guattari. *Anti-Oedipus*. Minneapolis, MN: University of Minnesota Press, 1983.
- . *What Is Philosophy?* New York, NY: Columbia University Press, 1994.
- Deleuze, Gilles, and Claire Parnet. *Dialogues II*. Translated by Hugh Tomlinson and Barbara Habberjam. New York: Columbia University Press, 2007.

Deloitte. “VC Human Capital Survey.” Deloitte, April 2023.

<https://www2.deloitte.com/content/dam/Deloitte/us/Documents/audit/us-audit-human-capital-survey-report.pdf>.

Deloitte, NVCA, and Venture Forward. “VC Human Capital Survey.” Deloitte.

Accessed February 26, 2024.

<https://www2.deloitte.com/content/dam/Deloitte/us/Documents/audit/us-audit-human-capital-survey-report.pdf>.

Derrida, Jacques. “Plato’s Pharmacy.” In *Dissemination*, translated by Barbara

Johnson, 63–71. University of Chicago Press, 1983.

Desjardins, Jeff. “How Google Retains More than 90% of Market Share.” Business

Insider. Accessed April 6, 2023. <https://www.businessinsider.com/how-google-retains-more-than-90-of-market-share-2018-4>.

Dessi, Roberta, and Nina Yin. “The Impact of Venture Capital on Innovation.” In *The Oxford Handbook of Venture Capital*, edited by Douglas Cumming, 668–85.

New York, NY: Oxford University Press, 2012.

Dichter, Ernest. *The Strategy of Desire*. Mansfield Center, CT: Martino Publishing, 2012.

Doerr, John. *Measure What Matters: How Google, Bono, and the Gates Foundation Rock the World with OKRs*. 262 vols. New York, NY: Portfolio/Penguin, 2018.

———. *Speed & Scale: A Global Action Plan for Solving Our Climate Crisis Now*. Great Britain: Penguin Business, 2021.

- Doganova, Liliana, and Fabian Muniesa. “Capitalization Devices: Business Models and the Renewal of Markets.” In *Making Things Valuable*, edited by Martin Kornberger, Anders Koed Madsen, and Jan Mouritsen, 109–25. Oxford, UK: Oxford University Press, 2015.
- Dosi, Giovanni. “Technological Paradigms and Technological Trajectories.” *Research Policy* 11 (1982): 147–62.
- Drucker, Peter F. *Innovation and Entrepreneurship*. New York, NY: Harper & Row, 1985.
- Duhigg, Charles. *The Power of Habit*. New York, NY: Random House, 2012.
- Edelman, Lauren B., and Shaubin A. Talesh. “To Comply or Not to Comply - That Isn’t the Question: How Organizations Construct the Meaning of Compliance.” In *Explaining Compliance: Business Responses to Regulation*, edited by Christine Parker and Vibeke Lehmann Nielsen. Cheltenham, UK: Edward Elgar, 2011.
- Eisenhardt, Kathleen M. “Agency Theory: An Assessment and Review.” *The Academy of Management Review* 14, no. 1 (1989): 57–74.
<https://doi.org/10.2307/258191>.
- Elder-Vass, Dave. “Assets Need Audiences: How Venture Capitalists Boost Valuations by Recruiting Investors to Asset Circles.” *Finance and Society* 7, no. 1 (May 4, 2021): 1–19. <https://doi.org/10.2218/finsoc.v7i1.5588>.
- Escobar, Arturo. *Designs for the Pluriverse*. Durham and London: Duke University Press, 2018.

Esen, Tekin, Michael S. Dahl, and Olav Sorenson. "Jockeys, Horses or Teams? The Selection of Startups by Venture Capitalists." *Journal of Business Venturing Insights* 19 (June 1, 2023): e00383.

<https://doi.org/10.1016/j.jbvi.2023.e00383>.

"EV Survey Consumer Reports," n.d.

<https://www.protocol.com/newsletters/climate/ev-survey-consumer-reports>.

Ewens, Michael, Ramana Nanda, and Matthew Rhodes-Kropf. "Cost of Experimentation and the Evolution of Venture Capital." Working Paper. Cambridge, Massachusetts: National Bureau of Economic Research, 2018.

Eyal, Nir. *Hooked: How to Build Habit-Forming Products*. New York:

Portfolio/Penguin, 2014.

———. "Should We Worry About the World Becoming More Addictive? Q&A with Nir Eyal." Nir and Far, August 23, 2016.

<https://www.nirandfar.com/addictive-world/>.

———. "User Investment: Make Your Users Do the Work." Nir and Far, July 23, 2012. <https://www.nirandfar.com/makeyourusersdothework/>.

Farrah, Jeff. "Don't Hurt Startups When Reining in Big Tech: Four Lessons from a New Academic Report - National Venture Capital Association - NVCA," July 8, 2021. <https://nvca.org/dont-hurt-startups-when-reining-in-big-tech-four-lessons-from-a-new-academic-report/>.

Federal Trade Commission. “Facebook, Inc., FTC v.,” December 9, 2020.

<https://www.ftc.gov/legal-library/browse/cases-proceedings/191-0134-facebook-inc-ftc-v>.

Feld, Brad, and Jason Mendelson. *Venture Deals: Be Smarter than Your Lawyer and Venture Capitalist*. 4th Edition. New Jersey: Wiley, 2019.

Feldman, Maryann P. “The Entrepreneurial Event Revisited: Firm Formation in a Regional Context.” *Industrial and Corporate Change* 10, no. 4 (2001): 861–91.

Ferguson, Charles H. *High Stakes, No Prisoners: A Winner’s Tale of Greed and Glory in the Internet Wars*. New York, UNITED STATES: Random House, 1999.

Ferrary, Michel, and Mark Granovetter. “The Role of Venture Capital Firms in Silicon Valley’s Complex Innovation Network.” *Economy and Society* 38, no. 2 (May 1, 2009): 326–59. <https://doi.org/10.1080/03085140902786827>.

Ferriss, Tim. *Tools of Titans*. New York, NY: Houghton Mifflin Harcourt, 2016.

Finley, Klint. “Geeks for Monarchy: The Rise of the Neoreactionaries.” TechCrunch, November 23, 2013. <https://techcrunch.com/2013/11/22/geeks-for-monarchy/>.

Fisher, Adam. “FTX CEO SBF Wants to Fix Crypto—And Everything Else.” Sequoia Capital, October 27, 2022. <https://web.archive.org/web/20221027181005/https://www.sequoiacap.com/article/sam-bankman-fried-spotlight/>.

- . *Valley of Genius: The Uncensored History of Silicon Valley*. New York: Hachette Book Group, 2018.
- Fisher, Mark. *Capitalist Realism: Is There No Alternative?* Hants, UK: O Books, 2009.
- . *Ghosts of My Life*. Winchester, UK: Zero Books, 2022.
- Foroohar, Rana. “Superstar Companies Also Feel the Threat of Disruption.” *Financial Times*, October 21, 2018, sec. Technology sector.
<https://www.ft.com/content/fd2016f4-d3a5-11e8-a9f2-7574db66bcd5>.
- Foucault, Michel. *A History of Sexuality: Volume 1: An Introduction*. Translated by Robert Hurley. New York, NY: Pantheon Books, 1978.
- . *Discipline and Punish*. London, UK: Penguin Books, 1977.
- . *Power/Knowledge: Selected Interviews & Other Writings (1972-1977)*. Edited by Colin Gordon. New York, NY: Pantheon Books, 1980.
- . *The Birth of Biopolitics: Lectures at the Collège de France 1978-1979*. New York: Picador, 2008.
- . *The History of Sexuality: Volume I: An Introduction*. Translated by Robert Hurley. New York, NY: Vintage Books, 1990.
- Franke, Nikolaus, Marc Gruber, Dietmar Harhoff, and Joachim Henkel. “Venture Capitalists’ Evaluations of Start-Up Teams: Trade-Offs, Knock-Out Criteria, and the Impact of VC Experience.” *Entrepreneurship Theory and Practice* 32, no. 3 (May 1, 2008): 459–83. <https://doi.org/10.1111/j.1540-6520.2008.00236.x>.

- . “What You Are Is What You like—Similarity Biases in Venture Capitalists’ Evaluations of Start-up Teams.” *Journal of Business Venturing* 21, no. 6 (2006): 802–26. <https://doi.org/10.1016/j.jbusvent.2005.07.001>.
- Frankfurt, Harry G. “Necessity and Desire.” *Philosophy and Phenomenological Research* XLV, no. 1 (1984).
- Franklin, Joshua. “Peloton Raises \$1.2 Billion after IPO Prices at Top of Range.” *Reuters*, September 25, 2019. <https://www.reuters.com/article/us-peloton-ipo/peloton-raises-1-2-billion-after-ipo-prices-at-top-of-range-idUSKBN1WA30O>.
- Frederick, Alex. “Agtech Report: 2023.” PitchBook, August 15, 2023. https://files.pitchbook.com/website/files/pdf/Q2_2023_Agtech_Report.pdf.
- Freedman, Lawrence. *Strategy: A History*. New York: Oxford University Press, 2013.
- “Freedom and Necessity.” In *Philosophical Essays*, 271–84. London, UK: Macmillan ; St. Martin’s Press, 1954.
- Frenkel, Sheera, and Cecilia Kang. *An Ugly Truth: Inside Facebook’s Battle for Domination*. New York, NY: Harper Collins, 2021.
- Friend, Tad. “The Mind of Marc Andreessen.” *The New Yorker*, May 11, 2015. <https://www.newyorker.com/magazine/2015/05/18/tomorrows-advance-man>.
- FSC Majority Staff. June 30, 2022, Task Force on Financial Technology Hearing entitled, “Combatting Tech Bro Culture: Understanding Obstacles to Investments in Diverse-Owned Fintechs” (2022). <https://democrats->

financialservices.house.gov/uploadedfiles/hhrg-117-ba00-20220630-sd002.pdf.

Gabor, Daniela. “The Wall Street Consensus.” *Development and Change* 52, no. 3 (2021): 429–59. <https://doi.org/10.1111/dech.12645>.

Gadamer, Hans-Georg. *Truth and Method*. New York, NY: Crossroad Publishing, 1989.

Galbraith, John Kenneth. *The Affluent Society*. New York, NY: Houghton Mifflin Company, 1998.

Gao, Kaidi. “Introducing the Pre-Seed Dataset.” *Pitchbook*, September 21, 2023. https://files.pitchbook.com/website/files/pdf/Q3_2023_PitchBook_Analyst_Note_Introducing_the_Pre-Seed_Dataset.pdf.

Gao, Xiaohui, Jay R. Ritter, and Zhongyan Zhu. “Where Have All the IPOs Gone?” *Journal of Financial and Quantitative Analysis* 48, no. 6 (December 2013): 1663–92. <https://doi.org/10.1017/S0022109014000015>.

Gent, Edd. “Is Worldcoin a Crypto-Currency for the Masses or Your Digital ID? - IEEE Spectrum.” *IEEE Spectrum*, December 22, 2022. <https://spectrum.ieee.org/worldcoin>.

Geron, Tomio. “The 10-Year Power Shift in VC Land.” Protocol, January 30, 2021. <https://www.protocol.com/newsletters/pipeline/venture-capital-power-shift>.

Gilson, Ronald J. “Engineering a Venture Capital Market: Lessons from the American Experience.” *SSRN Electronic Journal*, 2002, 1068–97. <https://doi.org/10.2139/ssrn.353380>.

- . “The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, And Covenants Not to Compete.” *New York University Law Review* 74, no. 3 (June 1999): 575–629.
- Gilson, Ronald J., and David M. Schizer. “Understanding Venture Capital Structure: A Tax Explanation for Convertible Preferred Stock.” *Harvard Law Review* 116, no. 3 (2003): 874–916. <https://doi.org/10.2307/1342584>.
- Gimeno, Javier, Timothy B. Folta, Arnold C. Cooper, and Carolyn Y. Woo. “Survival of the Fittest? Entrepreneurial Human Capital and the Persistence of Underperforming Firms.” *Administrative Science Quarterly* 42, no. 4 (1997): 750–83. <https://doi.org/10.2307/2393656>.
- Glasner, Joanna. “With Flagship Behind It, Moderna Quickly Scaled From Startup To World-Changing Biotech.” Crunchbase News, November 16, 2020. <https://news.crunchbase.com/startups/with-flagship-behind-it-moderna-quickly-scaled-from-startup-to-world-changing-biotech/>.
- Godin, Benoît. *Models of Innovation: The History of an Idea*. USA: MIT Press, 2017.
- . *The Idea of Technological Innovation*. Cheltenham, UK: Edward Elgar Publishing, 2020.
- . *The Invention of Technological Innovation: Languages, Discourses and Ideology in Historical Perspective*. Cheltenham, UK: Edward Elgar Publishing, 2019.
- Gompers, Paul A. “Grandstanding in the Venture Capital Industry.” *Journal of Financial Economics* 42 (1996): 133–56.

- Gompers, Paul A., Will Gornall, Steven N. Kaplan, and Ilya A. Strebulaev. "How Do Venture Capitalists Make Decisions?" *Journal of Financial Economics* 135, no. 1 (January 1, 2020): 169–90.
<https://doi.org/10.1016/j.jfineco.2019.06.011>.
- Gompers, Paul A., and Sophie Q. Wang. "Diversity in Innovation." Working Paper. Cambridge, Massachusetts: National Bureau of Economic Research, January 2017.
- Gompers, Paul, Will Gornall, Steven N. Kaplan, and Ilya A. Strebulaev. "How Venture Capitalists Make Decisions." *Harvard Business Review*, March 1, 2021. <https://hbr.org/2021/03/how-venture-capitalists-make-decisions>.
- Gompers, Paul, Anna Kovner, Josh Lerner, and David Scharfstein. "Skill vs. Luck in Entrepreneurship and Venture Capital: Evidence from Serial Entrepreneurs." National Bureau of Economic Research, October 2006.
- Gompers, Paul, and Silpa Kovvali. "The Other Diversity Dividend." *Harvard Business Review*, July 1, 2018. <https://hbr.org/2018/07/the-other-diversity-dividend>.
- Gompers, Paul, and Josh Lerner. *The Venture Capital Cycle*. Massachusetts, USA: MIT Press, 2006.
- Gompers, Paul, and Sophie Wang. "Diversity in Innovation." Cambridge, MA: National Bureau of Economic Research, January 2017.
<https://doi.org/10.3386/w23082>.

Gorman, Michael, and William A. Sahlman. "What Do Venture Capitalists Do?"

Journal of Business Venturing 4 (1989): 231–48.

Gornall, Will, and Ilya A. Strebulaev. "The Economic Impact of Venture Capital:

Evidence from Public Companies." SSRN Scholarly Paper. Rochester, NY:

Social Science Research Network, November 1, 2015.

<https://doi.org/10.2139/ssrn.2681841>.

Graham, Paul. "A Fundraising Survival Guide." *Paul Graham* (blog), August 2008.

<https://paulgraham.com/fundraising.html>.

———. "Crazy New Ideas." *Paul Graham* (blog), May 2021.

<https://paulgraham.com/newideas.html>.

———. "How to Get Startup Ideas." *Paul Graham* (blog), November 2012.

<https://paulgraham.com/startupideas.html>.

———. "Ideas for Startups." *Paul Graham* (blog), October 2005.

<https://paulgraham.com/ideas.html>.

———. "RAQs." Paul Graham. Accessed June 23, 2024.

<https://paulgraham.com/raq.html>.

———. "The Acceleration of Addictiveness." *Paul Graham* (blog), July 2010.

<https://paulgraham.com/addiction.html>.

———. "The Hacker's Guide to Investors." *Paul Graham* (blog), April 2007.

<https://paulgraham.com/guidetoinvestors.html>.

Gramsci, Antonio. *Selections from the Prison Notebooks*. New York, NY:

International Publishers, 1971.

- Granovetter, Mark. "Economic Action and Social Structure: The Problem of Embeddedness." *American Journal of Sociology* 91, no. 3 (November 1985): 481–510.
- Greene, Daniel Marcus, and Daniel Joseph. "The Digital Spatial Fix." *tripleC: Communication, Capitalism & Critique. Open Access Journal for a Global Sustainable Information Society* 13, no. 2 (June 14, 2015): 223–47.
<https://doi.org/10.31269/triplec.v13i2.659>.
- Greene, Lucie. *Silicon States: The Power and Politics of Big Tech and What It Means for Our Future*. Berkeley, CA: Counterpoint, 2018.
- Griffin, Tren. *A Dozen Lessons for Entrepreneurs*. Columbia University Press, 2017.
<https://doi.org/10.7312/grif18482>.
- Griffith, Erin. "Start-Ups Ask, 'Are We Making Money for Saudi Arabia?'" *The New York Times*, November 1, 2018, sec. Technology.
<https://www.nytimes.com/2018/11/01/technology/start-ups-venture-capital-saudi-arabia.html>.
- Gurley, Bill. "How to Miss By a Mile: An Alternative Look at Uber's Potential Market Size." *Above the Crowd* (blog), July 11, 2014.
<https://abovethecrowd.com/2014/07/11/how-to-miss-by-a-mile-an-alternative-look-at-ubers-potential-market-size/>.
- Hall, John, and Charles W. Hofer. "Venture Capitalists' Decision Criteria In New Venture Evaluation." *Journal of Business Venturing* 8 (1993): 25–42.

- Hall, Stephen S. *Invisible Frontiers: The Race to Synthesize a Human Gene*. Atlantic Monthly Press, 1987.
- Hall, Stuart. "Marx's Notes on Method: A 'Reading' of the '1857 Introduction.'" In *Selected Writings on Marxism*, 19–61. Stuart Hall: Selected Writings. Durham and London: Duke University Press, 2021.
- . "Race, Articulation and Societies Structured in Dominance." In *Sociological Theories: Race and Colonialism*, 335–45. Poole, UK: Unesco, 1980.
- . "The Centrality of Culture: Notes on the Cultural Revolutions of Our Time." In *Selected Writings on Marxism*, 316–34. Stuart Hall: Selected Writings. Durham and London: Duke University Press, 2021.
- Hanagan, Michael P. "Class." In *Encyclopedia of Social History*, edited by Peter N. Stearns, 184–86. New York, NY: Garland Publishing, 1994.
- Haraway, Donna. "A Cyborg Manifesto: Science, Technology, and Socialist-Feminism in the Late Twentieth Century." In *Simians, Cyborgs, and Women: The Reinvention of Nature*. London: Free Association Books, 1991.
- Harrison, Sara. "Angry Nerd: Enough With Technology That 'Democratizes' Things!" *Wired Magazine*, October 22, 2019.
<https://www.wired.com/story/angry-nerd-enough-with-technology-that-democratizes-things/>.
- Harrison, Vincent. "M&A and CVC in an Economic Downturn." Pitchbook, March 20, 2023.

https://files.pitchbook.com/website/files/pdf/Q1_2023_PitchBook_Analyst_Note_MA_and_CVC_in_an_Economic_Downturn.pdf.

Harvey, David. "Globalization and the 'Spatial Fix.'" *Geographische Revue* 2 (2001).

———. *Marx, Capital, and the Madness of Economic Reason*. New York: Oxford University Press, 2018.

———. *The Condition of Postmodernity*. Cambridge, Massachusetts: Blackwell Publishing, 1990.

———. *The Limits to Capital*. UK: Verso Books, 1999.

———. "The 'New' Imperialism: Accumulation by Dispossession." *Socialist Register* 40 (2004).

<https://socialistregister.com/index.php/srv/article/view/5811>.

hbcumoney. "HBCU Money's 2020 Top 10 HBCU Endowments." *HBCU Money* (blog), March 19, 2021. <https://hbcumoney.com/2021/03/19/hbcu-moneys-2020-top-10-hbcu-endowments/>.

Hendren, Sara. *What Can a Body Do? How We Meet the Built World*. Riverhead Books, 2020.

Hernando, Marcos González, and Patrick Baert. "Collectives of Intellectuals: Their Cohesiveness, Accountability, and Who Can Speak on Their Behalf." *The Sociological Review* 68, no. 5 (September 1, 2020): 1143–58.

<https://doi.org/10.1177/0038026119900119>.

"Heroku's Next Chapter," August 25, 2022. <https://blog.heroku.com/next-chapter>.

- Hibbison, Ryan. “Tusk Eyes Fourth Fund to Help Start-Ups Navigate Politics.”
Content. *Venture Capital Journal* (blog), August 9, 2023.
<https://www.venturecapitaljournal.com/tusk-eyes-fourth-fund-to-help-start-ups-navigate-politics/>.
- Hinchcliffe, Emma, and Joseph Abrams. “Anti-Affirmative Action Group Sues a Black Venture Fund.” *Fortune*, August 8, 2023.
<https://fortune.com/2023/08/08/affirmative-action-cases-black-venture-fund-fearless-edward-blum-corporate-dei/>.
- Hirschman, Albert O. *Exit, Voice, and Loyalty*. Cambridge, Massachusetts: Harvard University Press, 1970.
- Ho, Karen. *Liquidated: An Ethnography of Wall Street*. Durham: Duke University Press, 2009.
- Hochberg, Yael V., Alexander Ljungqvist, and Yang Lu. “Whom You Know Matters: Venture Capital Networks and Investment Performance.” *The Journal of Finance* LXII, no. 1 (2007): 251–302.
- Hodgson, Leah. “How Europe’s Unicorns Are Seeding the next Crop of Founders.” *PitchBook*, July 18, 2023, sec. News & Analysis.
<https://pitchbook.com/news/articles/europe-startup-founders-mafias>.
- Hoffman, Reid. “How to Think About Risk.” *LinkedIn* (blog), July 12, 2022.
<https://www.linkedin.com/pulse/how-think-risk-reid-hoffman/>.

- . “In Praise of Professional Venture Capital.” *LinkedIn* (blog), December 17, 2019. <https://www.linkedin.com/pulse/praise-professional-venture-capital-reid-hoffman/>.
- . “Let’s Democratize Entrepreneurism: Why the Masters of Scale Book Matters.” LinkedIn, July 8, 2021. <https://www.linkedin.com/pulse/lets-democratize-entrepreneurism-why-masters-scale-book-reid-hoffman/>.
- . “Reiding into the Masters of Scale.” Presented at the TechCrunch Disrupt, San Francisco, CA, 2021.
- Hoffman, Reid, and Ben Casnocha. *The Start-Up of You*. New York: Crown Business, 2012.
- Hoffman, Reid, and Chris Yeh. *Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies*. New York, NY: Currency [Penguin], 2018.
- Honig, Benson, Miri Lerner, and Yoel Raban. “Social Capital and the Linkages of High-Tech Companies to the Military Defense System: Is There a Signaling Mechanism?” *Small Business Economics* 27, no. 4 (December 1, 2006): 419–37. <https://doi.org/10.1007/s11187-005-5644-y>.
- Horkheimer, Max, and Theodor W. Adorno. *Dialectic of Enlightenment*. Stanford University Press, 2002.
- Horowitz, Ben. “The Case for the Fat Startup.” *All Things Digital | Andreessen Horowitz* (blog), March 17, 2010. <https://a16z.com/the-case-for-the-fat-startup/>.

———. *The Hard Things About Hard Things*. New York, NY: Harper Business, 2014.

———. *What You Do Is Who You Are*. New York, NY: Harper Collins, 2019.

Horowitz, Joe. “The State Of Venture Capital: The Pendulum Swings.” *Forbes*, May 10, 2023. <https://www.forbes.com/sites/forbesfinancecouncil/2023/05/10/the-state-of-venture-capital-the-pendulum-swings/?sh=d1fa50a26f3b>.

How Peter Thiel Knows If A Startup Is Crazy Smart, Or Just Crazy | Disrupt SF 2014, 2014. <https://www.youtube.com/watch?v=PeVjGpNpF6E>.

Howard, Mark. “The Necropolice Economy: Mapping Biopolitical Priorities and Human Expendability in the Time of COVID-19.” *Societies* 12, no. 1 (February 2022): 2. <https://doi.org/10.3390/soc12010002>.

Howell, Sabrina T., Josh Lerner, Ramana Nanda, and Richard R. Townsend. “Financial Distancing: How Venture Capital Follows The Economy Down and Curtails Innovation.” Working Paper. National Bureau of Economic Research, May 2020.

Hsu, David H. “Experienced Entrepreneurial Founders, Organizational Capital, and Venture Capital Funding.” *Research Policy* 36, no. 5 (June 1, 2007): 722–41. <https://doi.org/10.1016/j.respol.2007.02.022>.

———. “What Do Entrepreneurs Pay for Venture Capital Affiliation?” *The Journal of Finance* 59, no. 4 (2004): 1805–44. <https://doi.org/10.1111/j.1540-6261.2004.00680.x>.

Hsu, David H., and Martin Kenney. “Organizing Venture Capital: The Rise and Demise of American Research & Development Corporation, 1946-1973.”

SSRN Scholarly Paper. Rochester, NY, December 1, 2004.

<https://doi.org/10.2139/ssrn.628661>.

HT Tech. “Google Workspace Will NOT Be Free Anymore; Here Are Top 5

Alternatives,” June 25, 2022.

<https://tech.hindustantimes.com/tech/news/google-workspace-will-not-be-free-anymore-here-are-top-5-alternatives-71656126756309.html>.

Hudson, Ian, and Mark Hudson. *Consumption*. Cambridge, UK. 2021: Polity Press, n.d.

Ignatius, Adi, and Marc Andreessen. “In Search of the Next Big Thing: An Interview with Marc Andreessen.” In *HBR’s 10 Must Reads on Entrepreneurship and Startups*, edited by Harvard Business Review. HBR’s Must Reads. Boston, Massachusetts: Harvard Business Review Press, 2018.

Impact of Antitrust Scrutiny and Proposed Regulatory Changes on VCs and Startups. NVCA (Online Webinar), 2021.

https://zoom.us/rec/play/zh740b70f5182l4bnupgx-rf8MrFZpcrKodTyCeCwmrJrRqxHcBJr0nGC9KCNdiE54KIF2fMFBS1yAZI.NTLVEext6PTiT4P_?continueMode=true.

Irani, Lilly. *Chasing Innovation: Making Entrepreneurial Citizens in Modern India*. Princeton University Press, 2019.

- Isaac, Mike. *Super Pumped: The Battle for Uber*. New York, NY: WW Norton & Company, 2019.
- Janeway, Bill. “Bitcoin, Unicorns, and Why All Bubbles Aren’t Created Equal.” *Bill Janeway* (blog), February 9, 2018. <https://www.billjaneway.com/bitcoin-unicorns-and-why-all-bubbles-arent-created-equal>.
- . “Productive Bubbles.” *Bill Janeway* (blog), July 27, 2021. <https://www.billjaneway.com/productive-bubbles>.
- Janeway, Bill. “The Political Economy of Technology.” Bill Janeway, August 25, 2023. <https://www.billjaneway.com/the-political-economy-of-technology>.
- Janeway, Bill. “Unicorns: Why This Bubble Is Different.” *Bill Janeway* (blog), May 28, 2015. <https://www.billjaneway.com/unicorns-why-this-bubble-is-different>.
- . “What to Do About Radical Uncertainty — Bill Janeway.” *Bill Janeway* (blog), July 21, 2023. <https://www.billjaneway.com/what-to-do-about-radical-uncertainty>.
- Janeway, William H. *Doing Capitalism in the Innovation Economy*. Second. Cambridge, UK: Cambridge University Press, 2018.
- Jarvis, Alexander. “VC Investment Thesis: Union Square Ventures.” *Www.Alexanderjarvis.Com* (blog), November 1, 2015. <https://www.alexanderjarvis.com/investment-thesis-union-square-ventures/>.
- Javaheri, Ali. “Vertical Snapshot: Space Tech Update.” Emerging Tech Research. PitchBook, August 28, 2023.

https://files.pitchbook.com/website/files/pdf/2023_Vertical_Snapshot_Space_Tech_Update_14394.pdf.

Jenkins, Brian Kahn, Lisa Martine. “Carbon Dioxide Removal Startups Are Heading to Washington.” *Protocol*, July 19, 2022.

<https://www.protocol.com/newsletters/climate/cdr-trade-group-washington-lobbying>.

Jenkins, Lisa Martine. “New York to Ban Sales of New Gas-Powered Cars in 2035.” *Protocol*, September 29, 2022. <https://www.protocol.com/bulletins/new-york-ev-sales-2035>.

Jilk, Dave, and Brad Feld. *The Entrepreneur’s Weekly Nietzsche: A Book for Disruptors*. Lioncrest Publishing, 2021.

Jin, Berber. “Venture Firms’ Strategy of Holding Stocks for Longer Backfires During Market Rout.” *The Wall Street Journal*, January 5, 2023.

<https://www.wsj.com/articles/venture-firms-strategy-of-holding-stocks-for-longer-backfires-during-market-rout-11672898888>.

Jin, Berber, and Keach Hagey. “The Contradictions of Sam Altman, AI Crusader.” *Wall Street Journal*, March 31, 2023, sec. Tech.

<https://www.wsj.com/articles/chatgpt-sam-altman-artificial-intelligence-openai-b0e1c8c9>.

Johan, Sofia A. “Institutional Investment in Private Equity.” In *Handbook of Research on Venture Capital: Volume 2 A Globalizing Industry*, edited by

Hans Landström and Colin Mason, 2:101–3. Cheltenham, UK: Edward Elgar Publishing, 2012.

Jones, Callum. “Top US Betting Firm Lobbied against Rules to Protect Young People and Problem Gamblers.” *The Guardian*, December 9, 2023, sec. US news. <https://www.theguardian.com/us-news/2023/dec/09/fanduel-new-york-safety-minors-gambling-addiction-sport-betting>.

“June 30, 2022, Task Force on Financial Technology Hearing Entitled, ‘Combatting Tech Bro Culture: Understanding Obstacles to Investments in Diverse-Owned Fintechs.’” United States House of Representatives Committee on Financial Services, June 27, 2022. <https://financialservices.house.gov/uploadedfiles/hhrg-117-ba00-20220630-sd002.pdf>.

Kamps, Haje Jan. “The Perils of the Platforms of Paranoia.” TechCrunch, September 7, 2023. <https://techcrunch.com/2023/09/07/platforms-of-paranoia/>.

Kaplan, Steven N., and Josh Lerner. “It Ain’t Broke: The Past, Present, and Future of Venture Capital.” *Journal of Applied Corporate Finance* 22, no. 2 (Spring 2010): 36–47.

Kaplan, Steven N., Berk A. Sensoy, and Per Strömberg. “Should Investors Bet on the Jockey or the Horse? Evidence from the Evolution of Firms from Early Business Plans to Public Companies.” *The Journal of Finance* 64, no. 1 (2009): 75–115. <https://doi.org/10.1111/j.1540-6261.2008.01429.x>.

- Kapoor, Ilan, Gavin Fridell, Maureen Sioh, and Pieter de Vries. *Global Libidinal Economy*. SUNY Press, 2023.
- Kelley, Lora. “Why Does Every Tech Company Want to ‘Democratize’ Something? – Mother Jones.” *Mother Jones*, December 2022.
<https://www.motherjones.com/media/2022/10/democratize-tech-mission-conscious-capitalism/>.
- Kelly, Heather. “Airbnb Wants to Turn Hosts into ‘grassroots’ Activists.” *CNNMoney*, November 4, 2015.
<https://money.cnn.com/2015/11/04/technology/airbnb-after-prop-f/index.html>.
- Kelly, Peter. “Business Angel Research: The Road Traveled and the Journey Ahead.” In *Handbook of Research on Venture Capital*, edited by Hans Landström, 1:315–31. Cheltenham, UK: Edward Elgar, 2007.
- Kelly, Peter, and Michael Hay. ““Deal-Makers’: Reputation Attracts Quality.” *Venture Capital* 2, no. 3 (July 2000): 183–202.
<https://doi.org/10.1080/13691060050135073>.
- Kenney, Martin. “Introduction.” In *Understanding Silicon Valley: The Anatomy of an Entrepreneurial Region*, edited by Martin Kenney, 1–12. Stanford, CA: Stanford University Press, 2000.
- Kenney, Martin, and Richard Florida. “Venture Capital in Silicon Valley: Fueling New Firm Formation.” In *Understanding Silicon Valley: The Anatomy of an Entrepreneurial Region*, edited by Martin Kenney, 98–123. Stanford, California: Stanford University Press, 2000.

- Kerrest, Frederic. *Zero to IPO: Over \$1 Trillion of Actionable Advice from the World's Most Successful Entrepreneurs*. McGraw-Hill, 2022.
- Kessler, Sarah. "The Rise Of Bradley Tusk, Silicon Valley's Political Savior." *Fast Company*, October 24, 2016. <https://www.fastcompany.com/3064417/the-rise-of-bradley-tusk-silicon-valleys-political-savior>.
- Kesten, Jay. "The Law and Economics of the Going-Public Decision." In *The Oxford Handbook of IPOs*, edited by Douglas Cumming and Sofia A. Johan, 27–51. New York, NY: Oxford University Press, 2018.
- Keuschnigg, Marc, Arnout van de Rijt, and Thijs Bol. "The Plateauing of Cognitive Ability among Top Earners." *European Sociological Review* 39, no. 5 (October 1, 2023): 820–33. <https://doi.org/10.1093/esr/jcac076>.
- Keynes, John Maynard. *The General Theory of Employment, Interest and Money*. Hertfordshire, UK: Wordsworth, 2017.
- Khan, Lina M. "Amazon's Antitrust Paradox." *The Yale Law Journal* 126, no. 3 (January 2017). <https://www.yalelawjournal.org/article/amazons-antitrust-paradox>.
- Kim, W. Chan, and Renée Mauborgne. *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*. Massachusetts, USA: Harvard Business Review Press, 2015.
- Kinoshita, Sharon. "Deprovincializing the Middle Ages." In *The Worlding Project: Doing Cultural Studies in the Era of Globalization*, edited by Rob Wilson and

- Christopher Leigh Connery, 61–75. Berkeley, Calif. : Santa Cruz, Calif: North Atlantic Books ; New Pacific Press, 2007.
- Kirzner, Israel M. *Discovery, Capitalism, and Distributive Justice*. Indianapolis: Liberty Fund, 2016.
- Klinger-Vidra, Robyn. *The Venture Capital State: The Silicon Valley Model in East Asia*. Cornell University Press, 2018.
- Knickerbocker, Kelly. “39 LGBTQ+ Founders, Entrepreneurs and VCs You Should Know.” Private Equity Reports and Analysis. *39 LGBTQ+ Founders, Entrepreneurs and VCs You Should Know* (blog), June 15, 2022.
<https://pitchbook.com/blog/lgbtq-founders-entrepreneurs-and-vcs-you-should-know>.
- Knight, Frank H. *Risk, Uncertainty, and Profit*. Pantianos Classics, 1921.
- Knight, Will, and Steven Levy. “OpenAI Staff Threaten to Quit Unless Board Resigns.” *Wired*, November 20, 2023. <https://www.wired.com/story/openai-staff-walk-protest-sam-altman/>.
- Knutson, Brian, G. Elliott Wimmer, Camelia M. Kuhnen, and Piotr Winkielman. “Nucleus Accumbens Activation Mediates the Influence of Reward Cues on Financial Risk Taking.” *Neuroreport* 19, no. 5 (March 26, 2008): 509–13.
<https://doi.org/10.1097/WNR.0b013e3282f85c01>.
- Kohut, Andrew, and Kim Parker. “57% of Public Favors Wall Street Bailout.” Pew Research Center, September 23, 2008.

<https://www.pewresearch.org/politics/2008/09/23/57-of-public-favors-wall-street-bailout/>.

Kokalitcheva, Kia. “Axios Pro Rata: 🪙 Post-Pandemic VC.” *Axios*, April 2022.

<https://www.axios.com/newsletters/axios-pro-rata/>.

———. “Axios Pro Rata: A16z ❤️ AI.” *Axios*, July 25, 2023.

<https://www.axios.com/newsletters/axios-pro-rata/>.

———. “Axios Pro Rata: Funding the AI Boom.” *Axios*, March 25, 2023.

<https://www.axios.com/newsletters/axios-pro-rata/>.

———. “How Much VC Money Has Gone to Black Investors, Startups.” *Axios*, February 25, 2023. <https://www.axios.com/2023/02/25/venture-capital-funding-blacks>.

Komisar, Randy, and John Mullins. *Getting to Plan B*. Boston, MA: Harvard Business Press, 2009.

Konings, Martijn. *Capital and Time*. Stanford, California: Stanford University Press, 2018.

Koolman, G. “Say’s Conception of the Role of the Entrepreneur.” *Economica* 38, no. 151 (August 1971): 269. <https://doi.org/10.2307/2552843>.

Kornfeldt, Torill. *The Unnatural Selection of Our Species: At the Frontier of Gene Editing*. Legend Press US, 2022.

Kortum, Samuel, and Josh Lerner. “Assessing the Contribution of Venture Capital to Innovation.” *The RAND Journal of Economics* 31, no. 4 (2000): 674–92. <https://doi.org/10.2307/2696354>.

- Krantzler, Mel, and Patricia B. Krantzler. *Down and Out in Silicon Valley : The High Cost of the High-Tech Dream*. Amherst, NY: Prometheus Books, 2002.
- Krass, Peter, ed. *The Book of Entrepreneurs' Wisdom: Classic Writings by Legendary Entrepreneurs*. New York, NY: John Wiley & Sons, 1999.
- Krueger Jr., Norris, and Peter R. Dickson. "How Believing in Ourselves Increases Risk Taking: Perceived Self-Efficacy and Opportunity Recognition." *Decision Sciences* 25, no. 3 (1994): 385–400. <https://doi.org/10.1111/j.1540-5915.1994.tb00810.x>.
- Kuhn, Thomas S. *The Structure of Scientific Revolutions*. Chicago: University of Chicago Press, 1996.
- Kupor, Scott. *Secrets of Sand Hill Road: Venture Capital and How to Get It*. Penguin Random House, 2019.
- Lagorio-Chafkin, Christine. "As WeWork's Adam Neumann Raises \$350 Million, Female Founders Call Foul." *Inc.Com*, August 17, 2022. <https://www.inc.com/christine-lagorio/adam-neumann-funding-women-entrepreneurs.html>.
- Lam, Laura, and Marc-David L. Seidel. "Hypergrowth Exit Mindset: Destroying Societal Wellbeing through Venture Capital Biased Social Construction of Value." *Journal of Management Inquiry* 29, no. 4 (October 1, 2020): 471–74. <https://doi.org/10.1177/1056492620929085>.
- Landström, Hans. *Advanced Introduction to Entrepreneurial Finance*. Cheltenham, UK: Edward Elgar Publishing, 2017.

———, ed. *Handbook of Research on Venture Capital*. Vol. 1. 2 vols. Cheltenham, UK: Edward Elgar, 2007.

———. “Pioneers in Venture Capital Research.” In *Handbook of Research on Venture Capital*, edited by Hans Landström, 1:3–65. Cheltenham, UK: Edward Elgar, 2007.

Landström, Hans, and Colin Mason, eds. *Handbook of Research on Venture Capital: Volume 2 A Globalizing Industry*. Vol. 2. 2 vols. Cheltenham, UK: Edward Elgar Publishing, 2012.

———. “Introduction.” In *Handbook of Research on Venture Capital: Volume 2 A Globalizing Industry*, edited by Hans Landström and Colin Mason, 2:3–16. Cheltenham, UK: Edward Elgar Publishing, 2012.

Larson, Rob. *Bit Tyrants: A Political Economy of Silicon Valley*. Chicago, USA: Haymarket Books, 2020.

Lee, Aileen. “Welcome To The Unicorn Club: Learning From Billion-Dollar Startups.” *TechCrunch* (blog), November 2, 2013.
<https://techcrunch.com/2013/11/02/welcome-to-the-unicorn-club/>.

Leleux, Benoît, and Bernard Surlemont. “Public versus Private Venture Capital: Seeding or Crowding out? A Pan-European Analysis.” *Journal of Business Venturing* 18, no. 1 (January 2003): 81–104. [https://doi.org/10.1016/S0883-9026\(01\)00078-7](https://doi.org/10.1016/S0883-9026(01)00078-7).

- Lenhard, Johannes. "Towards Fully Automated Investing? How Venture Capitalists Are Making the Economic Future Old-Fashioned." *Anthropology Today* 37, no. 6 (2021): 25–27. <https://doi.org/10.1111/1467-8322.12690>.
- Leong, Nancy. "Racial Capitalism." *Harvard Law Review* 126, no. 8 (June 2013): 2152–2226.
- Lerner, Josh. "The Future of Public Efforts to Boost Entrepreneurship and Venture Capital." *Small Business Economics* 35 (2010): 255–64.
- . "The Government as Venture Capitalist: The Long-Run Impact of the Sbir Program." SSRN Scholarly Paper. Rochester, NY, February 1, 1998. <https://doi.org/10.2139/ssrn.4746>.
- . "Venture Capitalists and the Oversight of Private Firms." *The Journal of Finance* 50, no. 1 (1995): 301–18. <https://doi.org/10.2307/2329247>.
- . "When Bureaucrats Meet Entrepreneurs: The Design of Effective 'public Venture Capital' Programmes." *The Economic Journal* 112, no. 477 (2002): F73–84. <https://doi.org/10.1111/1468-0297.00684>.
- Lerner, Josh, David Moore, and Stuart Shepherd. "A Study of New Zealand's Venture Capital Market And Implications for Public Policy." Ministry of Research Science & Technology (MoRST), September 2005.
- Lerner, Joshua. *Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed and What to Do about It*. The Kauffman Foundation Series on Innovation and Entrepreneurship. Princeton: Princeton University Press, 2009.

- Lettice, John. "PointCast Bows out for a Mere \$7 Million." Accessed December 8, 2023. https://www.theregister.com/1999/05/11/pointcast_bows_out/.
- Lewis-Kraus, Gideon. "Are Flying Cars Finally Here?" *The New Yorker*, April 15, 2024. <https://www.newyorker.com/magazine/2024/04/22/are-flying-cars-finally-here>.
- . "One Startup's Struggle to Survive Silicon Valley's Gold Rush." *Wired*, April 22, 2014.
- Lingelbach, David, ed. *De Gruyter Handbook of Entrepreneurial Finance*. De Gruyter Handboos in Business, Economics and Finance. Berlin/Boston: De Gruyter, 2022.
- Liu, Wendy. *Abolish Silicon Valley: How to Liberate Technology from Capitalism*. London, UK: Repeater Books, 2020.
- Livingstone, Jessica. *Founders at Work: Stories of Startups' Early Days*. USA: Apress, 2008.
- Locke, John. *Two Treatises of Government*. Edited by Peter Laslett. Cambridge Texts in the History of Political Thought. Cambridge, UK: Cambridge University Press, 1988.
- Loizos, Connie. "Tusk Venture Partners Just Closed Its Third Fund with \$140M, Double Its Predecessor Fund." TechCrunch, May 17, 2022. <https://techcrunch.com/2022/05/17/tusk-ventures-just-closed-its-third-fund-with-140m-double-its-predecessor-fund/>.

- Lopez, Nadia. "Electric Day: California Phases out Sales of Gas Cars." *CalMatters*, August 25, 2022. <https://calmatters.org/environment/2022/08/electric-cars-california-to-phase-out-gas-cars/>.
- Lordon, Frédéric. *Willing Slaves of Capital: Spinoza and Marx on Desire*. London, UK: Verso, 2014.
- Loury, Glenn C. "A Dynamic Theory of Racial Income Differences." In *Women, Minorities, and Employment Discrimination*, edited by Phyllis A. Wallace and Annette M. Lamond. Lexington, MA: Lexington Books, 1977.
- Lux Capital. "Josh Wolfe." Accessed July 4, 2024. <https://www.luxcapital.com/people/josh-wolfe>.
- Mackay, Robin, and Armen Avanessian, eds. *#accelerate# the Accelerationist Reader*. Urbanomic, 2014.
- Macmillan, Ian C., Robin Siegel, and P.N.Subba Narasimha. "Criteria Used by Venture Capitalists to Evaluate New Venture Proposals." *Journal of Business Venturing* 1, no. 1 (December 1985): 119–28. [https://doi.org/10.1016/0883-9026\(85\)90011-4](https://doi.org/10.1016/0883-9026(85)90011-4).
- Macmillan, Ian C., Lauriann Zemann, and P. N. Subbanarasimha. "Criteria Distinguishing Successful from Unsuccessful Ventures in the Venture Screening Process." In *Venture Capital*. Routledge, 1997.
- Mahdawi, Arwa. "30 under 30-Year Sentences: Why so Many of Forbes' Young Heroes Face Jail." *The Guardian*, April 7, 2023, sec. Business.

<https://www.theguardian.com/business/2023/apr/06/forbes-30-under-30-tech-finance-prison>.

Mallaby, Sebastian. “The Age of Magic Money.” *Foreign Affairs* 99, no. 4 (2020): 65–77.

———. *The Power Law: Venture Capital and the Making of the New Future*. New York, USA: Penguin Press, 2022.

Maloney, Savanna. “Member Spotlight: Anzu Partners - National Venture Capital Association - NVCA,” February 21, 2023. <https://nvca.org/member-spotlight-anzu-partners/>.

———. “Member Spotlight: Callais Capital - National Venture Capital Association - NVCA,” December 1, 2022. <https://nvca.org/member-spotlight-callais-capital/>.

Mandel, Ernest. “Introduction.” In *Capital: A Critique of Political Economy: Volume One*, by Karl Marx, translated by Ben Fowkes. London, UK: Penguin Books, 1976.

Manyika, James, Michael Chui, Brad Brown, Jacques Bughin, Richard Dobbs, Charles Roxburgh, and Angela Hung Byers. “Big Data: The next Frontier for Innovation, Competition, and Productivity.” McKinsey Global Institute, May 2011.

https://www.mckinsey.com/~/media/mckinsey/business%20functions/mckinsey%20digital/our%20insights/big%20data%20the%20next%20frontier%20for%20innovation/mgi_big_data_exec_summary.pdf.

- Marcuse, Herbert. *One-Dimensional Man*. Boston: Beacon Press, n.d.
- Markowitz, Harry M. "Foundations of Portfolio Theory." *The Journal of Finance* 46, no. 2 (1991): 469–77. <https://doi.org/10.2307/2328831>.
- Martin, Randy. *Financialization of Daily Life*. Philadelphia: Temple University Press, 2002.
- Martinez, Antonio Garcia. *Chaos Monkeys: Obscene Fortune and Random Failure in Silicon Valley*. New York, NY: Harper Collins, 2016.
- Marx, Karl. *Capital: A Critique of Political Economy: Volume Three*. Translated by David Fernbach. London, UK: Penguin Books, 1981.
- . *Capital: A Critique of Political Economy: Volume Two*. London, UK: Penguin Books, 1992.
- . *Capital: A Critique of Political Economy: Volume One*. Translated by Ben Fowkes. London, UK: Penguin Books, 1976.
- . "Economic and Philosophical Manuscripts." In *Early Writings*, translated by Rodney Livingstone and Gregor Benton, 279–400. London, UK: Penguin Classics, 1992.
- . *Grundrisse: Foundations of the Critique of Political Economy*. Translated by Martin Nicolaus. London, UK: Penguin Books, 1973.
- . *The Communist Manifesto*. London: Pluto Press, 2008.
- . "The Eighteenth Brumaire of Louis Bonapart." In *The Marx-Engels Reader*, by Karl Marx and Friedrich Engels, 594–617. edited by Robert C. Tucker, Second Edition. New York, NY: Norton, n.d.

- Mason, Colin. "Venture Capital: A Geographical Perspective." In *Handbook of Research on Venture Capital*, edited by Hans Landström, 1:86–112. Cheltenham, UK: Edward Elgar, 2007.
- . "Venture Capital in Crisis?" *Venture Capital* 11, no. 4 (October 1, 2009): 279–85. <https://doi.org/10.1080/13691060903303775>.
- Mathews, Jessica. "70% of Dealmakers Say That Investment Managers Share Culpability for FTX." *Fortune*, March 1, 2023. <https://fortune.com/2023/03/01/investor-culpability-ftx/>.
- . "Ex-Foursquare President Steven Rosenblatt Lays out Plans for Oceans Ventures' Second Seed-Stage Fund." *Fortune: Term Sheet*, September 20, 2023. https://links.newsletter.fortune.com/e/evib?_t=5c2d888702774d17aa3d0350287b6d73&_m=1b6d645f52e54b8b8f55e370d3e21014&_e=FAE245m2-deBWehkzsoA5fp_gzSCmY7Ll50vZ1vxQZWns2i72Daf8QqUsz77mOUs.
- . "Peter Thiel Launched a Student Newspaper 36 Years Ago. It Has Quietly Become One of the Surest Paths to Success in Silicon Valley." *Fortune*, August 24, 2023. <https://fortune.com/2023/08/24/peter-thiel-student-newspaper-stanford-review/>.
- Mathur, Priyamvada. "The Meteoric Rise of US Unicorns in 2021 - PitchBook." *PitchBook*, January 5, 2022. <https://pitchbook.com/news/articles/us-unicorns-2021-venture-capital-valuations>.

- McGowan, Todd. *Capitalism and Desire: The Psychic Cost of Free Markets*. New York: Columbia University Press, 2016.
- McLure, Dave. “99 VC Problems But a Batch Ain’t 1.” Medium, August 31, 2015.
<https://500hats.com/99-vc-problems-but-a-batch-ain-t-one-why-portfolio-size-matters-for-returns-16cf556d4af0>.
- McPherson, Miller, Lynn Smith-Lovin, and James M. Cook. “Birds of a Feather: Homophily in Social Networks.” *Annual Review of Sociology* 27 (2001): 415–44.
- McQue, Katie. “Child Predators Are Using AI to Create Sexual Images of Their Favorite ‘Stars’: ‘My Body Will Never Be Mine Again.’” *The Guardian*, June 12, 2024, sec. Technology.
<https://www.theguardian.com/technology/article/2024/jun/12/predators-using-ai-generate-child-sexual-images>.
- Mead, Winter. *How to Raise a Venture Capital Fund: The Essential Guide on Fundraising and Understanding Limited Partners*. San Francisco: Winter Mead, 2021.
- Meadows, Donella H., Dennis L. Meadows, Jørgen Randers, and William Behrens III. *The Limits to Growth: A Report for the Club of Rome’s Project on the Predicament of Mankind*. New York, NY: Universe Books, 1972.
<https://www.clubofrome.org/publication/the-limits-to-growth/>.
- Melinek, Jacquelyn. “A16z Will ‘Continue to Tailor’ Its Multibillion-Dollar Crypto Funds to Market Opportunities, GP Says | TechCrunch.” *TechCrunch*, April 8,

2023. <https://techcrunch.com/2023/04/08/a16z-will-continue-to-tailor-its-multi-billion-dollar-crypto-funds-to-market-opportunities-gp-says/>.
- Metrick, Andrew, and Ayako Yasuda. *Venture Capital and the Finance of Innovation*. Second. USA: John Wiley & Sons, 2011.
- Mezzadra, Sandro, and Brett Neilson. “On the Multiple Frontiers of Extraction: Excavating Contemporary Capitalism.” *Cultural Studies* 31, no. 2–3 (May 4, 2017): 185–204. <https://doi.org/10.1080/09502386.2017.1303425>.
- Milanovic, Branko. *Capitalism, Alone*. Cambridge, Massachusetts: The Belknap Press of Harvard University Press, 2019.
- Minter, Adam. “Floating Cities May Be One Answer to Climate Change.” *Bloomberg*, June 26, 2022.
<https://www.bloomberg.com/opinion/articles/2022-06-26/floating-cities-may-be-one-answer-to-climate-change>.
- Mitchell, Timothy. “Fixing the Economy.” *Cultural Studies* 12, no. 1 (January 1, 1998): 82–101. <https://doi.org/10.1080/095023898335627>.
- . “The Work of Economics: How a Discipline Makes Its World.” *European Journal of Sociology / Archives Européennes de Sociologie / Europäisches Archiv Für Soziologie* 46, no. 2 (2005): 297–320.
- “Moderna Net Income 2017-2023 | MRNA.” Accessed May 22, 2023.
<https://www.macrotrends.net/stocks/charts/MRNA/moderna/net-income>.

- Moldbug, Mencius. "A Formalist Manifesto." Unqualified Reservations. Accessed July 23, 2024. <https://www.unqualified-reservations.org/2007/04/formalist-manifesto-originally-posted/>.
- Moore, Geoffrey A. *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*. New York, NY: Harper Business, 2014.
- Morgan, Glenn. "Marketing and Critique: Prospects and Problems." In *Studying Management Critically*, edited by Mats Alvesson and Hugh Willmott, 111–31. London, UK: Sage Publications, 2003.
- Mukherjee, Sy. "Moderna Had the Biggest Biotech IPO Ever. Here's What That Says About the Industry's Future." *Fortune*, December 8, 2018. <https://fortune.com/2018/12/08/moderna-ipo-biotech-future/>.
- Murray, Gordon C. "Venture Capital and Government Policy." In *Handbook of Research on Venture Capital*, edited by Hans Landström, 1:113–51. Cheltenham, UK: Edward Elgar, 2007.
- Murthy, Vivek H. "Opinion | Surgeon General: Why I'm Calling for a Warning Label on Social Media Platforms." *The New York Times*, June 17, 2024, sec. Opinion. <https://www.nytimes.com/2024/06/17/opinion/social-media-health-warning.html>.
- Myers, Stewart C. "Determinants of Corporate Borrowing." *Journal of Financial Economics* 5, no. 2 (November 1, 1977): 147–75. [https://doi.org/10.1016/0304-405X\(77\)90015-0](https://doi.org/10.1016/0304-405X(77)90015-0).

- Nahata, Rajarishi. "Venture Capital Reputation and Investment Performance."
Journal of Financial Economics 90 (2008): 127–51.
- Nakamoto, Satoshi. "Bitcoin: A Peer-to-Peer Electronic Cash System," n.d.
- NASA. "NASA - SpaceX Successfully Launches Falcon 1 to Orbit." Brian Dunbar.
Accessed July 21, 2023.
https://www.nasa.gov/offices/c3po/home/spacex_falcon1_flight_4.html.
- Nathan, Max, and Neil Lee. "Cultural Diversity, Innovation, and Entrepreneurship:
Firm-Level Evidence from London." *Economic Geography* 89, no. 4 (October
1, 2013): 367–94. <https://doi.org/10.1111/ecge.12016>.
- Navas, Max. "Serial Entrepreneurs Raise More Capital, but at What Cost?"
PitchBook, September 1, 2022.
- NBC News. "Percentage of LGBTQ Adults in U.S. Has Doubled over Past Decade,
Gallup Finds." Accessed July 5, 2022. <https://www.nbcnews.com/nbc-out/out-news/percentage-lgbtq-adults-us-doubled-decade-gallup-finds-rcna16556>.
- "Netflix Quarterly Shareholder Report (Q3, 2023)," October 18, 2023.
https://s22.q4cdn.com/959853165/files/doc_financials/2023/q3/FINAL-Q3-23-Shareholder-Letter.pdf.
- Newcomer, Eric. "The Unauthorized Story of Andreessen Horowitz," June 5, 2023.
<https://www.newcomer.co/p/the-unauthorized-story-of-andreessen>.
- Nicholas, Tom. *VC: An American History*. Cambridge, Massachusetts: Harvard
University Press, 2019.

NVCA. “Brief of the National Venture Capital Association and the Venture Capital Foundation as Amici Curiae In Support of the Defendants,” September 1, 2023. https://nvca.org/wp-content/uploads/2023/09/2023-09-01-66-002-Brief-of-The-National-Venture-Capital-Association-and-The-Venture-Capital-Founda.pdf?mc_cid=1f15cc33e0&mc_eid=fdb2953aa3.

Office of Public Affairs. “Samuel Bankman-Fried Sentenced to 25 Years for His Orchestration of Multiple Fraudulent Schemes.” United States Department of Justice, March 28, 2024. <https://www.justice.gov/opa/pr/samuel-bankman-fried-sentenced-25-years-his-orchestration-multiple-fraudulent-schemes>.

O’Leary, Katie. “Exploring the Intersection of Biotech and VC.” *PitchBook* (blog), February 7, 2023. <https://pitchbook.com/blog/biotech-venture-capital>.

———. “Exploring the Intersection of Biotech and VC.” *Pitchbook* (blog), February 7, 2023. <https://pitchbook.com/blog/biotech-venture-capital>.

O’Mara, Margaret. *The Code: Silicon Valley and the Remaking of America*. USA: Penguin Books, 2019.

O’Mara, Margaret, Ash Ngu, and Jessica Ma. “Opinion | Lyft’s I.P.O. Is Making the Same Circle of Men Rich, Again.” *The New York Times*, March 29, 2019, sec. Opinion. <https://www.nytimes.com/interactive/2019/03/29/opinion/sunday/lyft-ipo.html>, <https://www.nytimes.com/interactive/2019/03/29/opinion/sunday/lyft-ipo.html>.

- Orn, Scott. "VC Return Expectations by Stage." *Kruze Consulting* (blog), March 29, 2024. <https://kruzeconsulting.com/blog/what-vcs-return-expectations/>.
- Packard, Vance. *The Hidden Persuaders*. Ig Publishing, 2007.
- "Pandora Media, Inc. | Form S-1." Securities and Exchange Commission, February 11, 2011. https://www.sec.gov/Archives/edgar/data/1230276/000119312511032963/ds1.htm#toc119636_14.
- Parhankangas, Annaleena. "An Overview of Research on Early Stage Venture Capital: Current Status and Future Directions." In *Handbook of Research on Venture Capital*, edited by Hans Landström, 1:253–80. Cheltenham, UK: Edward Elgar, 2007.
- Parramore, Lynn. "How the Crypto Hustle Carries on America's Shameful History of Racial Inequality." *Institute for New Economic Thinking* (blog). Accessed March 13, 2024. <https://www.ineteconomics.org/perspectives/blog/how-the-crypto-hustle-carries-on-americas-shameful-history-of-racial-inequality>.
- Patel, Nalin. "Global VC Ecosystem Rankings." PitchBook, October 10, 2023. https://files.pitchbook.com/website/files/pdf/Q4_2023_PitchBook_Analyst_Note_Global_VC_Ecosystem_Rankings.pdf.
- Peck, Jamie, and Rachel Phillips. "The Platform Conjuncture." *Sociologica* 14, no. 3 (2020): 73–99. <https://doi.org/10.6092/issn.1971-8853/11613>.
- Penny, Laurie. "A Tale of Two Cities." ZNetwork, April 15, 2014. <https://znetwork.org/znetarticle/a-tale-of-two-cities/>.

- Perez, Carlota. *Technological Revolutions and Financial Capital*. Cheltenham, UK: Edward Elgar Publishing, 2002.
- Pflanzer, Lydia Ramsey. “Moderna Just Priced the Biggest IPO in Biotech History, Valuing the Startup at \$7.5 Billion.” *Business Insider*, December 6, 2018. <https://www.businessinsider.com/biotech-moderna-prices-initial-public-offering-2018-12>.
- Piketty, Thomas. *Capital in the Twenty-First Century*. Cambridge, MA: The Belknap Press of Harvard University Press, 2017.
- Pitchbook. “PitchBook 2023 Sustainable Investment Survey.” PitchBook, July 5, 2023. https://files.pitchbook.com/website/files/pdf/2023_Sustainable_Investment_Survey.pdf.
- “Pitchbook Data.” Accessed May 18, 2023. <http://pitchbook.com>.
- Politi, James, and Lauren Fedor. “JD Vance Proclaims ‘America First’ as Republicans Embrace Economic Populism.” *Financial Times*, July 18, 2024, sec. US presidential election 2024. <https://www.ft.com/content/1882d80c-4835-4397-b91f-5218156c3269>.
- Popper, Karl. *The Logic of Scientific Discovery*. London, UK: Routledge, 2002.
- Portes, Alejandro. “Social Capital: Its Origins and Applications in Modern Sociology.” *Annual Review of Sociology* 24 (1998): 1–24.
- Prasad, Eswar S. *The Future of Money*. Cambridge, MA: The Belknap Press of Harvard University Press, 2021.

Primack, Dan. “Andreessen Horowitz Says It Will Donate to Political Candidates.”

Axios, December 14, 2023. <https://www.axios.com/2023/12/14/andreessen-horowitz-says-it-will-donate-to-political-candidates>.

———. “Revenge of the ‘Endowment Model.’” *Axios*, October 15, 2021, Axios Pro Rata edition. <https://www.axios.com/newsletters/axios-pro-rata-37037490-57a6-4e80-9810-9d6649fdbd16.html>.

———. “Supreme Court Gives States Green Light on Sports Betting.” *Axios*, May 14, 2018. <https://www.axios.com/2018/05/14/supreme-court-rules-gives-states-go-ahead-to-allow-betting-on-sports-1526307136>.

———. “Why the Startup World Needs to Ditch ‘Unicorns’ for ‘Dragons.’” *Axios*, August 31, 2021. <https://www.axios.com/2021/08/31/unicorn-startup-privately-held-valued-1-billion>.

Primack. “Axios Pro Rata: VC Liability.” *Axios* (blog). Accessed August 7, 2023. <https://www.axios.com/newsletters/axios-pro-rata/>.

Primack, Dan. “Axios Pro Rata: Cannabis Capitalism.” *Axios*, August 14, 2023. <https://www.axios.com/newsletters/axios-pro-rata/>.

———. “Axios Pro Rata: Rivian’s ROI Ruptions.” *Axios*, November 12, 2021. <https://www.axios.com/newsletters/axios-pro-rata/>.

Ramadan, Al, Dave Peterson, Christopher Lochhead, and Kevin Maney. *Play Bigger: How Pirates, Dreamers, and Innovators Create and Dominate Markets*. New York, NY: Harper Business, 2016.

- Ramsinghani, Mahendra. *The Business of Venture Capital: The Art of Raising a Fund, Structuring Investments, Portfolio Management, and Exits*. Third. Hoboken, New Jersey: John Wiley & Sons Inc., 2021.
- Rancière, Jacques. *Disagreement: Politics and Philosophy*. Translated by Julie Rose. Minneapolis: University of Minnesota Press, 1999.
- Rao, Leena. “Eric Schmidt: Google Is Buying One Company A Week.” *TechCrunch* (blog), December 7, 2011. <https://techcrunch.com/2011/12/07/eric-schmidt-google-is-buying-one-company-a-week/>.
- Rapp, Christof. “Aristotle’s Rhetoric.” In *The Stanford Encyclopedia of Philosophy*, edited by Edward N. Zalta and Uri Nodelman, Winter 2023. Metaphysics Research Lab, Stanford University, 2023. <https://plato.stanford.edu/archives/win2023/entries/aristotle-rhetoric/>.
- Reich, Rob, Mehran Sahami, and Jeremy M. Weinstein. *System Error: Where Big Tech Went Wrong and What We Can Do About It*. New York, NY: Harper Collins, 2021.
- Research, 13D. “The Regulatory Case against Tech Giants: What Path Will Lawmakers Choose?” *Medium* (blog), December 7, 2017. <https://latest.13d.com/regulatory-case-against-tech-giants-what-path-will-lawmakers-choose-3c4da037e944>.
- Reuters*. “Analysis: For Black Founders, Venture Funding Remains Elusive despite New Funds.” February 22, 2021, sec. Money News.

<https://www.reuters.com/article/venture-capital-funding-diversity-idINKBN2AM12X>.

Rheingold, Howard. *The Virtual Community: Homesteading on the Electronic Frontier*. Massachusetts, USA: MIT Press, 2000.

Ries, Al, and Jack Trout. *Positioning: The Battle for Your Mind*. New York, NY: McGraw-Hill, 2001.

Ries, Eric. *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*. New York, NY: Currency [Penguin], 2011.

Rikap, Cecilia. "Big Tech: Not Only Market But Also Knowledge and Information Gatekeepers." Institute for New Economic Thinking. Accessed December 19, 2023. <https://www.ineteconomics.org/perspectives/blog/big-tech-not-only-market-but-also-knowledge-and-information-gatekeepers>.

Roberts, John. *Capitalism and the Limits of Desire*. Bloomsbury, 2021.

Robinson, Richard B. "Emerging Strategies in the Venture Capital Industry." *Journal of Business Venturing* 2 (1987): 53–77.

Rock, David, and Heidi Grant. "Why Diverse Teams Are Smarter." *Harvard Business Review*, November 4, 2016. <https://hbr.org/2016/11/why-diverse-teams-are-smarter>.

Rogers, Everett M. *Diffusion of Innovations*. Fifth. New York, NY: Free Press, 2003.

Rogers, Everett M., and Judith K. Larson. *Silicon Valley Fever : Growth of High-Technology Culture*. New York: Basic Books, 1984.

- Romans, Andrew. *Masters of Blockchain: Digital Assets & The New Capital Markets*. Venture Books, 2018.
- Ross, Aaron, and Jason Lemkin. *From Impossible to Inevitable: How SaaS and Other Hyper-Growth Companies Create Predictable Revenue*. Hoboken, NJ: Wiley, 2019.
- Rothstein, Sidney A. "Toward a Discursive Approach to Growth Models: Social Blocs in the Politics of Digital Transformation." *Review of International Political Economy* 29, no. 4 (July 4, 2022): 1211–36.
<https://doi.org/10.1080/09692290.2021.1895278>.
- Roure, Juan B., and Robert H. Keeley. "Predictors of Success in New Technology Based Ventures." *Journal of Business Venturing* 5 (1990): 201–20.
- Rubio, Jordan, and James Thorne. "PitchBook Universities: Top 100 Colleges Ranked by Startup Founders." PitchBook, September 12, 2023.
<https://www.pitchbook.com/news/articles/pitchbook-university-rankings>.
- Ruhnka, John C., and John E. Young. "Some Hypotheses about Risk in Venture Capital Investing." *Journal of Business Venturing* 6 (1991): 115–33.
- Rusli, Evelyn M. "Uber CEO Travis Kalanick: We're Doubling Revenue Every Six Months." *Wall Street Journal*, June 6, 2014.
<https://www.wsj.com/articles/BL-DGB-35662>.
- Sahlman, William A. "How to Write a Great Business Plan." In *HBR's 10 Must Reads on Entrepreneurship and Startups*, edited by Harvard Business Review,

- 13–33. HBR’s Must Reads. Boston, Massachusetts: Harvard Business Review Press, 2018.
- Samila, Sampsa. “Regional Impact of Venture Capital.” In *The Oxford Handbook of Venture Capital*, edited by Douglas Cumming, 791–809. New York, NY: Oxford University Press, 2012.
- Samuelson, Paul A., and William D. Nordhaus. *Economics*. 19th ed. The McGraw-Hill Series Economics. Boston: McGraw-Hill Irwin, 2010.
- Sapienza, Harry J., and Jaume Villaneuva. “Conceptual and Theoretical Reflections on Venture Capital Research.” In *Handbook of Research on Venture Capital*, edited by Hans Landström, 1:66–85. Cheltenham, UK: Edward Elgar, 2007.
- Saxenian, AnnaLee. *Regional Advantage: Culture and Competition in Silicon Valley and Route 128*. Cambridge, Massachusetts: Harvard University Press, 1996.
- Scheer, Steven, and Emily Rose. “Israeli Tech Startups Flock to US amid Uncertainty at Home.” *Reuters*, August 16, 2023.
<https://www.reuters.com/technology/israeli-tech-startups-flock-us-amid-uncertainty-home-2023-08-16/>.
- Schmitt, Carl. *The Nomos of the Earth in the International Law of the Jus Publicum Europaeum*. Telos Publishing, 2006.
- Schumpeter, Joseph A. *Capitalism, Socialism, and Democracy: Third Edition*. Harper Perennial, 2008.

- Seely-Brown, John. "Foreword." In *Understanding Silicon Valley: The Anatomy of an Entrepreneurial Region*, edited by Martin Kenney, ix–xvi. Stanford, CA: Stanford University Press, 2000.
- Segercrantz, Beata, Karl-Erik Sveiby, and Karin Berglund. "A Discourse Analysis of Innovation in Academic Management Literature." In *Critical Studies of Innovation*, edited by Benoît Godin and Dominique Vinck, 276–95. Cheltenham, UK: Edward Elgar, 2017.
- Selvakumar, Priyan. "The Limits of Venture Capital as a Financier of Innovation." The Oxford Strategy Review. Accessed September 4, 2022.
<https://www.oxfordstrategyreview.com/content/the-limits-of-venture-capital-as-a-financier-of-innovation>.
- Sen. Klobuchar, Amy [D-MN]. "Text - S.225 - 117th Congress (2021-2022): Competition and Antitrust Law Enforcement Reform Act of 2021." Legislation, February 4, 2021. 2021-02-04.
<https://www.congress.gov/bill/117th-congress/senate-bill/225/text>.
- Sequoia. "Coronavirus: The Black Swan of 2020." *Sequoia Capital Publication* (blog), March 5, 2020. <https://medium.com/sequoia-capital/coronavirus-the-black-swan-of-2020-7c72bdeb9753>.
- . "The Sequoia Capital Fund: Patient Capital for Building Enduring Companies." *Sequoia Capital Publication* (blog), February 15, 2022.
<https://medium.com/sequoia-capital/the-sequoia-fund-patient-capital-for-building-enduring-companies-9ed7bcd6c7da>.

Shane, Scott. *A General Theory of Entrepreneurship*. Cheltenham, UK: Edward Elgar Publishing, 2003.

Shapiro, Doug. “Power Laws Have More Power Than You Think,” August 28, 2023.
<https://every.to/p/power-laws-have-more-power-than-you-think>.

Shaw, Lucas. “Netflix’s Shares Tumble as Much as 12% as It Struggles to Attract New Subscribers and Stokes Concerns That Its Big Growth Days Are Over.” *Fortune*, April 18, 2023. <https://fortune.com/2023/04/18/netflix-shares-tumble-earnings-q1-2023/>.

Shen, Lucinda. “What Andreessen Horowitz’s Recent Hiring Surge Says about the Venture Capitalist.” *Fortune*, September 9, 2021.
<https://fortune.com/2021/09/09/what-is-a16z/>.

Shepherd, Dean A. “Researching the Dark Side, Downside, and Destructive Side of Entrepreneurship: It Is the Compassionate Thing to Do!” *Academy of Management Discoveries* 5, no. 3 (2019): 217–20.

Shi, Madeline. “Venture Lenders Turn More Conservative on Deal Terms as Startup Valuations Cool Off.” *Pitchbook*, March 23, 2022.
<https://pitchbook.com/news/articles/venture-capital-lenders-loan-terms-startup-valuations>.

Sindicich, Michael. “Fintech Faces Its Reckoning: It’s Only a Matter of Time until the House of Cards Collapses.” *TechCrunch*, September 9, 2023.
<https://techcrunch.com/2023/09/09/are-fintech-business-models-sustainable/>.

- Slack. “Everything You Need to Know about Our First Price Change and New Plans.” Slack. Accessed December 19, 2023.
<https://slack.com/blog/news/pricing-and-plan-updates>.
- Smart, Geoffrey H. “Management Assessment Methods in Venture Capital: An Empirical Analysis of Human Capital Valuation.” *Venture Capital* 1, no. 1 (January 1999): 59–82. <https://doi.org/10.1080/136910699295992>.
- Smigiel, Christian. “Why Did It Not Work? Reflections on Regulating Airbnb and the Complexity and Agency of Platform Capitalism.” *Geographica Helvetica* 75, no. 3 (August 19, 2020): 253–57. <https://doi.org/10.5194/gh-75-253-2020>.
- Smith, Adam. *The Wealth of Nations*. New York, USA: Bantam, 2003.
- Soanes, Catherine, and Angus Stevenson, eds. “Eidos.” *Concise Oxford English Dictionary*, 2008. <https://www.proquest.com/encyclopedias-reference-works/eidos/docview/2137988062/se-2?accountid=14523>.
- , eds. “Topos.” *Concise Oxford English Dictionary*, 2008.
<https://www.proquest.com/encyclopedias-reference-works/topos/docview/2137992524/se-2?accountid=14523>.
- Söderberg, Johan. “Comparing Two Cases of Outlaw Innovation: File Sharing and Legal Highs.” In *Critical Studies of Innovation*, edited by Benoît Godin and Dominique Vinck, 115–36. Cheltenham, UK: Edward Elgar, 2017.
- Sorenson, Olav, and Toby E. Stuart. “Syndication Networks and the Spatial Distribution of Venture Capital Investments.” *American Journal of Sociology* 106, no. 6 (2001): 1546–88. <https://doi.org/10.1086/321301>.

Sørheim, Roger. “Venture Capitalists as Smart Investors.” In *Handbook of Research on Venture Capital: Volume 2 A Globalizing Industry*, edited by Hans Landström and Colin Mason, 2:159–71. Cheltenham, UK: Edward Elgar Publishing, 2012.

Sparke, Matthew. *In the Space of Theory: Postfoundational Geographies of the Nation-State*. Minneapolis: University of Minnesota Press, 2005.

———. *Introducing Globalization: Ties, Tensions, and Uneven Integration*. Wiley-Blackwell, 2013.

Spitznagel, Mark. *The Dao of Capital*. Hoboken, New Jersey: Wiley, 2013.

Sraders, Anne. “IPO Market Optimism, down Rounds, and Crypto: The Biggest VC Conversations Last Week.” *Fortune*, September 18, 2023.
<https://fortune.com/2023/09/18/ipo-downrounds-crypto-vc-primary-nyc-summit/>.

Srnicek, Nick. *Platform Capitalism*. Cambridge, UK: Polity Press, 2017.

Staff in the Bureau of Competition & Office of Technology. “Generative AI Raises Competition Concerns.” *Federal Trade Commission* (blog), June 29, 2023.
<https://www.ftc.gov/policy/advocacy-research/tech-at-ftc/2023/06/generative-ai-raises-competition-concerns>.

Stanford, Kyle. “Capital Concentration and Its Effect on the VC Ecosystem.” Pitchbook, February 16, 2023.
https://files.pitchbook.com/website/files/pdf/Q1_2023_PitchBook_Analyst_Note_Capital_Concentration_and_Its_Effect_on_the_VC_Ecosystem.pdf.

- . “The Bay Area Still Holds the Keys to VC: Why Claims That Silicon Valley Is in Decline Are Premature.” Pitchbook, February 24, 2021.
- Statt, Nick. “Metaverse Real Estate Is Booming.” *Protocol*, February 12, 2022.
<https://www.protocol.com/entertainment/video-game-real-estate-metaverse>.
- Stiegler, Bernard. *The Age of Disruption: Technology and Madness in Computational Capitalism*. Cambridge, UK: Polity Press, 2019.
- Stone, Lisa. “Diversity As Superpower: The (Well-Known) Data Against Homogeneous Teams In Venture Capital.” *Forbes*, September 22, 2020.
<https://www.forbes.com/sites/committeeof200/2020/09/22/diversity-as-superpower-the-well-known-data-against-homogeneous-teams-in-venture-capital/?sh=4e787cf02019>.
- Stone, Mike, and Joey Roulette. “SpaceX’s Starlink Wins Pentagon Contract for Satellite Services to Ukraine.” *Reuters*, June 1, 2023, sec. Aerospace & Defense. <https://www.reuters.com/business/aerospace-defense/pentagon-buys-starlink-ukraine-statement-2023-06-01/>.
- Stross, Randall. “It’s Not the People You Know. It’s Where You Are.” *The New York Times*, October 22, 2006, sec. Business.
<https://www.nytimes.com/2006/10/22/business/yourmoney/22digi.html>.
- Suchman, Mark C. “Dealmakers and Counselors: Law Firms as Intermediaries in the Development of Silicon Valley.” In *Understanding Silicon Valley: The Anatomy of an Entrepreneurial Region*, edited by Martin Kenney, 71–97. Stanford, CA: Stanford University Press, 2000.

Swartz, Jim, and Chuck Newhall. Co-Opetition. Video, April 14, 2023.

<https://computerhistory.org/blog/vc-stories/> and

<https://www.youtube.com/watch?v=tqdTOCk6RKw>.

Szkutak, Rebecca. “Early-Stage SaaS Startups Grow the Same with or without VC Dollars.” *TechCrunch* (blog), July 20, 2023.

<https://techcrunch.com/2023/07/20/early-stage-saas-startups-vc-bootstrap/>.

Taleb, Nassim Nicholas. *Skin in the Game: Hidden Asymmetries in Daily Life*. New York, USA: Random House, 2018.

———. *The Black Swan: The Impact of the Highly Improbable*. New York: Random House, 2010.

Tamaseb, Ali. *Super Founders: What Data Reveals About Billion Dollar Startups*. New York, NY: Hachette Book Group, 2021.

Tavory, Iddo, and Stefan Timmermans. “A Pragmatist Approach to Causality in Ethnography.” *American Journal of Sociology* 119, no. 3 (2013): 682–714. <https://doi.org/10.1086/675891>.

Temkin, Marina. “More Startup Shutdowns Expected to Follow Crypto Carnage.” *Pitchbook*, January 11, 2023. <https://pitchbook.com/news/articles/startup-shutdowns-failure-VC>.

———. “‘Put up the for-Sale Sign,’ More VCs Tell Founders as Market Sours.” *Pitchbook*, June 29, 2022. <https://pitchbook.com/news/articles/mergers-acquisitions-vc-startups-sale-falling-valuations>.

- . “Stripe, Instacart Show Perils of Secondary Investing.” *PitchBook*, September 22, 2023. <https://pitchbook.com/news/articles/vc-secondaries-losses-stripe-instacart>.
- Terranova, Tiziana. “Free Labor: Producing Culture for the Digital Economy.” *Social Text* 18, no. 2 (2000): 33–58.
- Thatcher, Jim, David O’Sullivan, and Dillon Mahmoudi. “Data Colonialism through Accumulation by Dispossession: New Metaphors for Daily Data.” *Environment and Planning D: Society and Space* 34, no. 6 (December 1, 2016): 990–1006. <https://doi.org/10.1177/0263775816633195>.
- “The Complete List Of Unicorn Companies.” Accessed July 21, 2023. <https://instapage.cbinsights.com/research-unicorn-companies>.
- The Economist*. “As TikTok Grows, so Does Suspicion.” July 9, 2022, Weekly edition, sec. Briefing. <https://www.economist.com/interactive/briefing/2022/07/09/the-all-conquering-quaver>.
- The Economist*. “Who’s Afraid of TikTok?” July 19, 2022, Weekly edition. <https://www.economist.com/leaders/2022/07/07/whos-afraid-of-tiktok>.
- The New Yorker*. “How Venture Capitalists Are Deforming Capitalism.” November 23, 2020. <https://www.newyorker.com/magazine/2020/11/30/how-venture-capitalists-are-deforming-capitalism>.
- The Social Dilemma*. Documentary. Netflix, 2020. <https://www.netflix.com/title/81254224>.

- “Theory Construction in Qualitative Research: From Grounded Theory to Abductive Analysis - Stefan Timmermans, Iddo Tavory, 2012.” Accessed August 10, 2023. <https://journals.sagepub.com/doi/10.1177/0735275112457914>.
- Thiel, Peter. “Competition Is for Losers.” *Wall Street Journal*, September 12, 2014, sec. Life and Style. <https://online.wsj.com/articles/peter-thiel-competition-is-for-losers-1410535536>.
- Thiel, Peter, and Blake Masters. *Zero to One: Notes on Startups, or How to Build the Future*. London, UK: Virgin Books, 2014.
- Thierer, Adam. *Evasive Entrepreneurs & The Future Of Governance*. USA: Cato Institute, 2020.
- Think with Google. “The Latest Video Trends: Where Your Audience Is Watching.” Accessed April 6, 2023. <https://www.thinkwithgoogle.com/marketing-strategies/video/video-trends-where-audience-watching/>.
- Thomas, Lauren. “Peloton’s Market Value Drops by \$2.5 Billion as Shares Close below IPO Price.” *CNBC*, January 20, 2022. <https://www.cnbc.com/2022/01/20/pelotons-market-value-drops-by-2point5-billion-as-shares-close-below-ipo-price.html>.
- Thomas, Owen. “The Tech Superbubble Might Burst.” *Protocol*, May 10, 2022, sec. Source Code. <https://www.protocol.com/newsletters/sourcecode/tech-superbubble-bursts>.
- Thompson, Clive. *Coders: The Making of a New Tribe and the Remaking of the World*. Penguin Press, 2019.

Thorne. “At COP26, Investors Steal the Stage from Diplomats | PitchBook.”

Pitchbook, November 14, 2021, sec. News and Analysis.

<https://pitchbook.com/news/articles/cop26-investors-venture-capital-clean-tech-climate>.

Tomba, Massimiliano. “Historical Temporalities of Capital: An Anti-Historicist Perspective.” *Historical Materialism* 17, no. 4 (2009): 44–65.

Trapido, Denis. “Performance Implications of Venture Capital Syndication Networks.” In *The Oxford Handbook of Venture Capital*, edited by Douglas Cumming, 401–20. New York, NY: Oxford University Press, 2012.

Tsotsis, Alexia, and John Biggs. “Coinbase’s Brian Armstrong.” TechCrunch, May 22, 2013. <https://techcrunch.com/video/coinbases-brian-armstrong/>.

Turner, Fred. *From Counterculture to Cyberculture*. Chicago, USA: University of Chicago Press, 2008.

Turner, Frederick J. *The Frontier in American History*. New York, NY: Henry Holt and Company, 1920. <https://www.gutenberg.org/files/22994/22994-h/22994-h.htm>.

Tusk, Bradley. *The Fixer: My Adventures Saving Startups from Death by Politics*. New York, NY: Portfolio/Penguin, 2018.

———. “Zuck, Bezos, Cook: Who Takes the Fall in D.C.’s Antitrust Games?” Fast Company, August 3, 2020. <https://www.fastcompany.com/90535277/zuck-bezos-cook-who-takes-the-fall-in-d-c-s-antitrust-games>.

Twilley, Stephen. "Silicon Valley Is Not a Place." *Public Books* (blog), April 9, 2020.

<https://www.publicbooks.org/silicon-valley-is-not-a-place/>.

"Uber Technologies, Inc. - Financials." Accessed May 23, 2023.

<https://investor.uber.com/financials/default.aspx>.

Van De Ven, Andrew H. *Engaged Scholarship: A Guide for Organizational and Social Research*. Oxford University Press, 2007.

Vanity Fair. "The 2011 New Establishment List: And the Top Spot Goes To..."

Vanity Fair, September 1, 2011.

<https://www.vanityfair.com/news/2011/09/the-2011-new-establishment-list--and-the-top-spot-goes-to---?>

Varian, Hal. "Micromultinationals Will Run the World." *Foreign Policy*, August 15, 2011. <https://foreignpolicy.com/2011/08/15/micromultinationals-will-run-the-world/>.

Vincent, James. "99.6 Percent of New Smartphones Run Android or iOS - The Verge." *The Verge*, February 16, 2017.

<https://www.theverge.com/2017/2/16/14634656/android-ios-market-share-blackberry-2016>.

Walker, Richard A. *Pictures of a Gone City: Tech and the Dark Side of Propertity in the San Francisco Bay Area*. Dexter, Michigan: PM Press, 2018.

Walske, Jennifer M., and Andrew. L Zacharakis. "Genetically Engineered: Why Some Venture Capital Firms Are More Successful Than Others." *Entrepreneurship Theory and Practice*, January 2009, 297–318.

- Wang, An. "Going Public." In *The Book of Entrepreneurs' Wisdom: Classic Writings by Legendary Entrepreneurs*, edited by Peter Krass, 153–58. New York, NY: John Wiley & Sons, 1999.
- Wark, McKenzie. *Capital Is Dead. Is This Something Worse?* Brooklyn, NY: Verso Books, 2019.
- Washington Post*. "Loans to EBay Provide a Big Payoff for Venture-Capital Firm." Accessed December 4, 2023.
<https://www.washingtonpost.com/archive/business/1999/04/09/loans-to-ebay-provide-a-big-payoff-for-venture-capital-firm/6ce256dc-06c9-4f48-bb4b-8110c20ef913/>.
- Waters, Richard. "Elon Musk Rejects Claims He Is Squeezing out Rivals in Space." *Financial Times*, December 29, 2021. <https://www.ft.com/content/18dc896f-e92f-41f7-9259-69cfd8d61011>.
- . "Reid Hoffman, Mr LinkedIn." *Financial Times*, March 17, 2012, sec. Financial Times. <https://www.ft.com/content/df0f609c-6e31-11e1-baa5-00144feab49a>.
- Watson, Matthew. *The Market*. Newcastle, UK: Agenda Publishing, 2018.
- Welsh, Jonathan. "Tesla's Elon Musk Is Fortune Businessperson of the Year." *Wall Street Journal*, November 21, 2013, sec. Speakeasy.
<http://blogs.wsj.com/speakeasy/2013/11/21/teslas-elon-musk-is-fortune-businessperson-of-the-year/>.

- Wenger, Albert. "A Theory of History and Society: Technology, Constraints and Measurement (TCM)." *Continuations* (blog), July 2, 2020.
https://assets.tumblr.com/analytics.html?_v=9f5febfd57a8a649c598d888f2d9e062#https://continuations.com.
- . "Living in a Horror Movie?" Tumblr. *Continuations* (blog), November 26, 2019.
https://assets.tumblr.com/analytics.html?_v=9f5febfd57a8a649c598d888f2d9e062#https://continuations.com.
- . "Marxism Remains a Dangerous Idea." *Continuations* (blog), August 13, 2020.
https://assets.tumblr.com/analytics.html?_v=9f5febfd57a8a649c598d888f2d9e062#https://continuations.com.
- . *The World After Capital*. Las Vegas, NV: Albert Wenger, 2024.
- West River Group. "The Power of Diversity: Why Homogeneous Teams in Venture Capital Are Bad for Business." White Paper. Accessed February 21, 2021.
<https://www.wrg.vc/diversity>.
- Wetzel Jr., William E. "Angels and Informal Risk Capital." *Sloan Management Review* 24, no. 4 (1983): 23–34.
- White, Andy, and James Ulan. "Quantitative Research: Introducing PitchBook Patent Research." PitchBook, February 6, 2023.
https://files.pitchbook.com/website/files/pdf/Q1_2023_PitchBook_Analyst_Note_Introducing_PitchBook_Patent_Research.pdf#page=1.

“Why Startups Fail: Top 12 Reasons | CBInsights.” Accessed May 4, 2022.

<https://www.cbinsights.com/research/startup-failure-reasons-top/>.

Wilson, Fred. “The New Builders.” *AVC* (blog), May 4, 2021.

<https://avc.com/2021/05/the-new-builders/>.

———. “The Partnership.” *AVC*, June 12, 2022. <https://avc.com/2022/06/the-partnership/>.

Wilson, Rob, and Christopher Leigh Connery, eds. *The Worlding Project: Doing Cultural Studies in the Era of Globalization*. Berkeley, Calif. : Santa Cruz, Calif: North Atlantic Books ; New Pacific Press, 2007.

Wilson, Rob Sean. “Worlding America’s Asia Pacific Into Oceania: Concepts, Tactics, and Transfigurations inside the Anthropocene.” In *Pacific Beneath the Pavements: Worlding Poesis and Oceanic Becoming*, 93–122, Forthcoming.

Winner, Langdon. “Do Artifacts Have Politics?” *Daedalus* 109, no. 1 (Winter 1980): 121–36.

Wolfe, Alexandra. *Valley of the Gods : A Silicon Valley Story*. New York: Simon and Schuster, 2017.

Wolfe, Josh. “Ask Me Anything (Lux Capital).” Reddit, March 27, 2017.

https://www.reddit.com/r/IAmA/comments/61tzj1/hi_were_josh_peter_and_sam_josh_and_peter_are/.

Wood, Ellen Meiksins. *The Origin of Capitalism*. New York, NY: Verso Books, 2017.

- Woodman, Andrew. “Is Sequoia’s Fund Restructuring Really a Game-Changer for VC? | PitchBook.” *Pitchbook*, October 31, 2021.
<https://pitchbook.com/news/articles/sequoia-fund-restructuring-VC-fundraising>.
- Young, Clifford, and Sarah Feldman. “How the Public Feels about the Silicon Valley Bank Failure.” *Ipsos*, March 24, 2023. <https://www.ipsos.com/en-us/how-public-feels-about-silicon-valley-bank-failure>.
- Yousif, Samer. “Lack of Diversity Is a Missed Opportunity for VC Industry.” *Crunchbase*, February 22, 2023. <https://about.crunchbase.com/blog/lack-of-diversity-is-a-missed-opportunity-for-vc-industry/>.
- Zacharakis, Andrew, and Daniel A. Shepherd. “The Pre-Investment Process: Venture Capitalists’ Decision Policies.” In *Handbook of Research on Venture Capital*, edited by Hans Landström, 1:177–92. Cheltenham, UK: Edward Elgar, 2007.
- Zakaria, Fareed. “Opinion | TikTok Is Dangerously Addictive. We Should Regulate It Now.” *Washington Post*, April 14, 2023.
<https://www.washingtonpost.com/opinions/2023/04/14/tiktok-teens-mental-health-regulation/>.
- Zider, Bob. “How Venture Capital Works.” *Harvard Business Review*, December 1998.
- Žižek, Slavoj. *The Sublime Object of Ideology*. Nachdr. The Essential Žižek. London: Verso, 2008.

- Zuboff, Shoshana. "Big Other: Surveillance Capitalism and the Prospects of an Information Civilization." *Journal of Information Technology* 30, no. 1 (March 1, 2015): 75–89. <https://doi.org/10.1057/jit.2015.5>.
- . *The Age of Surveillance Capitalism: The Fight for a Human Future at the New Frontier of Power*. New York, NY: PublicAffairs, 2019.
- Zukin, Sharon. *The Innovation Complex*. New York, NY: Oxford University Press, 2020.