

John Heubusch:

Those of you who have been with us before know exactly what this series is all about, Charting a Course for the GOP Following the Losses of 2020, and now as some would say, some disappointments in 2022. You also know where the title of this series comes from, Ronald Reagan's famous 1964 speech that aired nationwide and launched his political career. It's hard for us to imagine now, but at the time, television was really just beginning to transform politics in America. In 1950, just 9% of households in the United States had a television set. By 1958, it was 80%. And by the night in 1964 when Ronald Reagan took the stage to declare that it was indeed a time for choosing, nearly 92% of American households were watching TV.

The speech, as we call it around here, is one of the best examples of how this relatively new technology called television could reshape politics in an instant. Today, it's not TV or personal computers or cable or blogs and podcasts that wield that kind of transformative power. Right now, it's big data and big digital platforms. Our guest speaker tonight lives at the very center of that digital universe. He has launched, backed or led many of the most consequential companies, networks and platforms to emerge from Silicon Valley and elsewhere in our lifetimes. He is famously the co-founder of PayPal and Palantir Technologies and was the very first outside investor in a company you might have heard of and I should have invested in called Facebook.

And fortunately for us, he is one of the few outspoken political voices in the tech world to support conservative and libertarian candidates. So as we continue this conversation about the GOP's future, he brings to us an important and likely different perspective than the voices we've heard from before. He can probably peer into the future more clearly than most on the planet. Now why is that? Well, because he understands better than most how technology will shape it and how our politics can and must respond. But he's here this evening to answer the same fundamental questions we've put to the likes of Mike Pence and Tom Cotton and Nikki Haley, Mike Pompeo, actually 11 in all who have answered our call thus far in this Republican time for choosing, what should the Republican Party stand for? Will the party look backward, or like Ronald Reagan, will it look forward to the future? Should it prioritize principles or partisanship?

With the midterm elections now behind us, the presidential race already underway and our plans and the works to host a presidential primary debate at the Reagan Library once again, answering these questions has become even more urgent. Ladies and gentlemen, to help us do that, please welcome back to the Reagan Library, the remarkably successful entrepreneur, investor and bestselling author, Mr. Peter Thiel.

Peter Thiel:

Can everyone hear me? John, thank you so much for that introduction. It is a tremendous honor and privilege to be here at the Reagan Library. I am one of the few people in your speaker series who's not a professional politician. I was not born in the United States, so I think the one person in your speaker series who's ineligible to run for president. And so my speech tonight is going to be simply in the form of some free advice to the Republican Party and you can perhaps discount it appropriately as being merely free advice. I think I will be telling you, nothing surprising or unexpected, nothing even surprising to maybe start by wallowing a bit on the depressing disaster that was the 2022 midterms.

We, Republicans, did not defeat a single incumbent Democrat senator. We defeated, I believe, one incumbent Democrat governor and then maybe the House of Representatives was an even worse outcome where 31 incumbent Democrats chose not to run, a relatively high number. And we, Republicans, picked up a mere nine seats. And the part of it that's not merely disastrous but also depressing is just the sense that, if we don't do something different, we're just going to be in this

Groundhog Day where something like this is going to repeat in 2024 or throughout the rest of this decade. And certainly, my felt sense was that this was structurally supposed to be a very good year for Republicans. The economy was a disaster, the inflation out of control, the energy policy terrible, not to say much even about Biden's dementia, but if you can't win in that kind of a context, how are you ever going to win?

And that's where I had this very depressed as well as very depressed reaction in the aftermath. And two of my good friends ran for Senate, J.D. Vance in Ohio, Blake Masters in Arizona and so I had a bit of a ringside seat in their campaigns and looking at a little bit of the nuts and bolts of what was going on. And I want to suggest there were two basic challenges that we, Republicans, had that were somehow both very hard and were in some ways a little bit of the opposites, but let me articulate what those two were. One was somewhat of a substantive agenda problem, "What was it that we were running on? What sort of specific agenda were we running on?" And somehow, it was light on detail, not too much on the specifics.

And then at the same time, there was just the sense that the party was rather discombobulated. And even if you tried and somehow was overly ... The diversity was more of a weakness than a strength in our party. The Star Wars analogy I often like to use is that the Democrats are like the imperial Storm Troopers and we're this ragtag rebel alliance which is extremely diverse. We have Princess Leah and Chewbacca and Han Solo. I identify with Han Solo as the capitalist and there's Luke Skywalker and there's some sort of a bit on the spectrum policy wonk people. They're like C3PO. And then this ragtag rebel alliance somehow needs to find some unity in its diversity and there's this felt sense that the diversity, we never quite united. There was a little bit too much and that was the political challenge.

And then there was a way that it was hard to find a detailed substantive agenda. And there was all these different kinds of failure modes. I think there was a Mitch McConnell intuition that you shouldn't talk about anything substantive at all, a nihilistic, maybe passive aggressive form of nihilism or something like that where you're just not going to do anything, not talk about anything and have no surface area for attack which is uninspiring. And then there was, again I'm just personalizing a little bit to concretize it, but there was maybe the opposite promise of something like the detailed Paul Ryan policy wonkery where you go into a lot of details, but somehow the ideas are unpopular and you're checkmate on move one where it's ...

So you immediately get to a redux of the 2012 campaign where it's like we're going to increase defense spending and we're going to cut taxes and we're going to balance the budget. And then Obama just has to say, well, that means you have a secret plan to gut Obamacare, the ACA, to gut Medicare, Medicaid and we're checkmate in one move. And so somehow there's this problem where we can try to paper over these differences through a nihilistic emptiness or we can try to go into substantive detail and then you end up just losing voters and that doesn't seem to work either. And somehow this was a challenge that I saw throughout this process and the question. And then the way that when it's somehow always drawn back to the Reagan years which were my formative period, I was in eighth grade when Reagan got elected in 1980 and my strongest early political memories in some ways are of the 1980s.

And of course, it had a very different felt sense. Somehow, the party was a big tent, but we got overwhelming majorities. We've got, if you include the very conservative Southern Democrats, we had a very solid working legislative majority. Somehow, it felt bold and wide at the same time. And then there's always a question, "What was working in the '80s and how can one somehow recapture some of that?" And if you reflect on it, it is actually somewhat of a mysterious question how anything ever worked or how did the Reagan coalition actually work. And my simplified version of the Reagan coalition is that it was this coalition of social conservatives, defense hawks and free market libertarian types. And how did they actually cohere or what does the priest and the general and the millionaire, what do those

three people actually have in common? If they meet in a smoke-filled room and hatch out their plots, what do they actually talk about?

And I don't think it is detailed policy wonkery ala Paul Ryan. I don't think it is some sort of passive aggressive nihilism ala Mitch McConnell. And what I would submit that they talked about that's very substantive and that was the key to the Reagan years in some ways was, with the priest, the general and the millionaire, what they have in common is that they're anticommunist and that was the key part of the Reagan coalition and that was the key of conservative republicanism in the post-World War II era in the 20th century. And if the Republican Party ceases to be anticommunist, it may cease to have a *raison d'être*.

We got overwhelming majorities in the '84 election, the way this works in the 1980s. And if you start thinking about when the Cold War in some sense ended when Berlin Wall falls in 1989, the Soviet Union collapses in 1991, the eight presidential elections that are after that, seven out of eight, we got fewer votes than the Democrats. And so there is some sense in which if you say that we succeeded in defeating the evil empire that was the Soviet Union once and for all, there was also some sort of sense in which the *raison d'être* of the Republican Party got very eroded in that process.

And so my single fixed idea that I have that I want to anchor my suggestions and remarks on tonight is that perhaps communism was not fully defeated. And perhaps that is still the really big problem today. Not in the form of the Soviet Union, but in the form of China, the Chinese Communist Party, Red China, whatever we want to call it and that the extraordinary question is not, "Why are we stuck in the past in 1980s where we're talking about communism?" but the extraordinary question you need to ask is, "Why is it so hard for us to engage in what obviously should be the single biggest challenge, biggest problem in many different facets for the United States to deal with today?" And that what I think the first step in rejuvenating this party is to think very hard about the challenge of Red China, what to do about it and to look at the many different dimensions that this challenge takes.

So I'm still going. The Chinese Communist, and I think if we ask why we're not asked, there certainly are a lot of different places where things are entangled with China in ways that are extremely problematic and you just have to ask a few basic questions and you immediately get to things that are just ... It's just weird. I'm not saying that we have to discontinue all of these things, but the questions have just not been asked. And so I can just ... In no particular order, if we look at it today, I'll start with some of the dynamics in the tech industry where you have Apple Computer has this strange dependency on Chinese labor to build the iPhones and these Foxconn factories where it would violate every labor law standard in the US.

And so the biggest company in the US that makes up something like 6.5, 7% of the S&P 500 is somehow incredibly deeply entangled on an economic level with China. And it's all in favor of privacy in the US. In the case of China, of course, all the data gets shared in all sorts of different ways. Or there is the TikTok phenomenon where ... It's always hard to know exactly how these algorithms work. We don't know, but they seem to be quite different in the US and China. And in China, the TikTok bite dance algorithms, they produce, I don't know, math and science content for young people. And in the US, I would say the first order approximation they produced is deranging political content. It's what people always accused Facebook of doing, that it was creating all this extremist political content that was making people angry, which I think was always a little bit of an unfair accusation against Facebook. Probably, the thing that Facebook did more was to actually suppress such content, maybe suppress it too much. But TikTok seems to be doing exactly what people accused Facebook of doing.

And one of my colleagues created a series of different accounts on TikTok and then the AI engine surfaces all these different things to him. It was just all sorts of different versions that were designed to make you angry. There's one version where there's an African American person who talks about how

every employer he had, he sued and this is what all Black people should do. If you're a Black person who actually works, you're a really dumb person, you're a sucker and you should just sue your employers. So it's designed to make Black people angry, to make White people angry in a sense to polarize our society. And the kind of question we should be asking, is TikTok this AI weapon that China has directed at the US and what should we be doing about that?

There are, of course, all these broader trade issues where things seem extremely off kilter. To first approximation, China wants to sell us a whole range of things and has an enormous current account surplus. If they sell us computer chips, we get to sell them potato chips, something like that, but basically if you looked at this from outer space, it would be one of the strangest things ever where you basically have the high growth, poor developing country having an enormous trade current account surplus with the wealthy country, and then of course, the current account surplus needs to get recycled into the country. And so the financial effect of it is that you have basically poor peasants in China saving their money to invest in low interest rate-paying T bills in the US and it's like the money is all flowing uphill.

The way globalization is supposed to work, if it was working as a financial matter, is that the lower growth, more developed society would have surpluses and would recycle the money in the higher returning, higher growth developing world. This is how globalization by the way looked in 1900 when Great Britain had a trade surplus of 2% of GDP, a current accounts surplus of 4% of GDP and the money got invested in Russian bonds and Argentinian railroads and things that had higher growth prospects, so ways that the story broke down, but it at least sort of made sense. And now we have this opposite current account trade arrangement where the money flows uphill. And then there are all these things one could say about the ways in which Wall Street is problematically entangled with this, where the very large current account deficit in some sense is not good for the country, but in some sense, Wall Street has longed the current account deficit because the bigger deficit gets the more money gets recycled into banks, into Wall Street institutions on which they earn fees of one sort or another.

There are, of course, things like, to pick on institutions that are more linked to the left, there is the Hollywood problem where by my count no movies in which the Red China, the Chinese Communist Party where the bad guys have been made since 1997, Seven years in Tibet, even Richard Gere, all the stuff, that is a quarter century ago. And even though I think Reagan would've liked to have his movies seen in the Soviet Union or exported them, I do not think Reagan would have ever argued that Hollywood needs to do whatever it can to create movies. The Soviet Union likes.

So to juxtapose it with the Soviet context in the '70s and '80s, it's such an extraordinarily different context or we have the strange dynamic in the universities where in many of the sciences something like half of the graduate students are Chinese nationals. And it's again a very weird dynamic. The university presidents, of course, justified as a form of indentured servitude that keeps all their science programs running. As a Republican Libertarian-type person, I'm not too sympathetic to all these American grad students. They don't vote for my party generally. And so in some sense, I'm sympathetic to them not doing that well, but again, somehow, it is a little bit too harsh and people shouldn't be punished that badly just for being brainwashed Democrats.

And I don't know, there's a news item a month and a half ago or so with the FBI directors saying that China had all these overseas police stations, 102 spread all over the world, four of them in the United States, one of the four right here in the Los Angeles area. The Red China, the response was, "No, that's all untrue. They're all purely voluntary and they're just designed to help Chinese who are overseas update their driver's licenses and stuff like that." So again, I don't really know what the truth of the matter on this is, but surely, it would pay to investigate and to ask more questions and to find out what's really going on with these things.

And of course, there's the whole crazy dynamic with the origin of the COVID virus. Did it come from the food market or the Wuhan lab? And of course, if it came from the Wuhan lab, you have to ask questions about what was really going on in the Wuhan lab. Is gain of function research just Orwellian euphemism for a bioweapons program for example? That's the question I naturally go to and that's the reason I suspect that the Wuhan lab is a more problematic place for the origin than the food market. You could say it's just really disgusting to eat a bat, some Levitical law against eating bats. And so you could say the food market is worse than the lab.

But I think the reason the lab is a worse origin story than the food market is because you have these follow-up questions that you then need to ask. And of course, the fact that these questions can't be asked are not being answered, that we're being stonewalled on them leads one to suspect that the answers are not entirely good if we really found out about them. And so I think there is this sort of very, very multifaceted way in which we need to find a way to engage with the enormous challenge posed by China. I think there are questions why this has not happened. I want to maybe give one or two placeholder theories on why it's taken us so long.

The first one is that it is somewhat of a historical artifact where the great Republican anticommunist presidents, Reagan and Nixon before him, were both pro-Red China, because both for Nixon and for Reagan, the Soviet Union was the greater threat, the greater problem. And somehow even working with the genocidal chairman Mao for Nixon, that was a way to contain the Soviet Union, which was not just terrible from a totalitarian human rights perspective, but had global ambitions. And so we should work with Red China to contain the Soviets. And this was still in some sense what I believe was the correct policy of the Reagan administration in the 1980s, but at some point, that thread should have changed.

The thought experiment I always have is, would the history have been very different if the Berlin Wall had come down the year before Tiananmen? The Tiananmen massacre happens in June of 1989. Brent Scowcroft, the Bush 41 national security advisor a month later, is in Beijing, reassuring the butchers in Beijing that everything's fine because they're still anti-Soviet. And then you had the Berlin Wall comes down November of '89. If the Tiananmen thing had happened in June of 1990, maybe Brent Scowcroft would not have been in quite as much of a détente or appeasement mode and maybe we would've been able to have a serious discussion about the challenge of Red China 30 years earlier than we're having it.

If one thinks about how ... There, of course, are big military dimensions to this problem. There's a lot one can say about Taiwan, about hypersonic weapons, the weaponization of space, the way in which offensive cyberwarfare is being conducted. There's a full-on shooting war going on in cyberspace. There's a whole range of military dimensions to this, but one somewhat simplified way I think one can think about how to deal with the China challenge is to think of a two-by-two matrix where you can be hawkish or dovish on either things we can broadly describe as economic and broadly describe as military. And I think you can have a debate about what quadrant one should be in. There's a dovish econ, dovish military one which is probably roughly where someone like Gavin Newsom in California comes down.

There are ways you can try to be hawkish on both. I think there's a hawkish econ, dovish military version, which in some ways I'm somewhat partial to that quadrant because I think an economic war is a lot less than an all-out nuclear war or even a regional military war and so I think there should be a lot of space for that. And I think, unfortunately, a lot of the debate is in this, I don't know, neocon-type quadrant, which you can think of as the hawkish military and dovish economic quadrant. And that's the one of the four quadrants that I submit makes no sense at all.

And one should always ... It's maybe [inaudible 00:28:22], but one should always remember the anecdote attributed to Vladimir Lenin where he said, "We will sell. We will buy from the capitalist, the rope with which we will hang them," and you should always remember that Vladimir Lenin quote if

you're tempted to be in the economic, I think the word people like to use is interdependent, the economically interdependent but tough on the military quadrant. That's the one that doesn't make sense. And that's why so much of it needs to be rethought in these areas of economic technological entanglement between the US and China.

So I think the two reasons that we haven't been able to rethink China, first is the accident of history that somehow we were focused on the Soviet Union and then we didn't pivot to China in June of '89 because that was too early and then we forgot about it for 30 years. But I think the other lesson from the Reagan years that can also be mislearned is that the battle against the Soviet Union was mainly military. There was not a lot of economic entanglement. There was not a lot of economic interdependence. We had these marginal characters like Armand Hammer who ran Occidental Petroleum and he did all these oil deals with the Soviet Union, but he wasn't really seen as, "Maybe he was a communist. Maybe he was a fifth columnist," but he was mainly just an eccentric. It didn't really matter what Armand Hammer did because the economic entanglement was so small in the 1980s and today we have this very different context where this is somehow the main part of the challenge.

I think one can always frame ... I'm always tempted to go back to this framing in terms of appeasement or détente. You don't want to ... There's a limit to how much what Reagan understood, what Churchill understood before Reagan, was that there's a limit to how much you should cooperate with totalitarian regimes. The world cannot be half slave and half free. It's not sustainable. That's an illusionary outcome. And so appeasement in the '30s was a bad idea. Détente in the '70s was a bad idea and something equivalent to that is a very bad idea. Now I've often, and there are all these different people that we could name names and we could judge them though, I'll just say one brief anti-German thing. Okay, I'm not going to judge or name too many names, but it strange irony that Germany, the country that was the object of appeasement in the 1930s has now become the ringleader of the China appeasement caucus.

But the thing I wanted suggest is maybe these words aren't quite the right ones because both appeasement and détente have excessive focus on the military, not enough of a focus on the economic dimension. And so what I think is unhealthy about the relationship with China and the word I would use is that it's not interdependent. We are codependent. It is a very bad, very unhealthy codependent relationship. I'm not saying you have to go straight out of it, that you have to just extricate yourself immediately, but if you're in a very unhealthy codependent relationship, you should try to find ways to minimize it, reduce the surface area of contact, to find a way towards peace through separateness rather than endless therapy sessions or negotiating sessions or engagement sessions in which you think you are talking about the co-dependency, but you're somehow actually just reinforcing it.

In the Ukraine crisis this year, obviously, there's a whole run up to it. There are all sorts of things one could say that were miscalculated and done incorrectly. And certainly, one thing that in retrospect seems to have been just completely boneheaded was the way in which Germany and Russia were entangled with the Nord Stream 1, Nord Stream 2 pipelines. It was not a way, it was advertised as a marginal gain in economic efficiency, but it was not at the end of the day something that made things more peaceful. That codependency between Germany and Russia is probably one of the things that motivated Putin to invade the Ukraine. He figured the West was on the hook. Germany was so codependent that no one would defend the Ukraine.

He wasn't right. He miscalculated, but the codependency, it didn't even stabilize things. It probably had a destabilizing effect. And the challenge in some sense with the US and China is that we have a dozen pipelines or hundreds of pipelines connecting the US and China, dozens of ways, that are deeply unhealthy and that if we were to look at, we would try to extricate ourselves from as fast as possible. I think, as I said, it's a time for choosing. It's a time to choose an end to the codependency. It's not yet a

time for naming names condemning people. Certainly on the business side, I think it was an understandable mistake people made took to work with China for many years.

There was the Fukuyama, End of History. There was an idea that some of the sharper edges of Marxism, Leninism had been softened in the '90s and 2000s, that it was a communist country that was becoming somewhat more socialist. But I think if you're an objective observer of things, that just doesn't hold water in 2022. Xi Jinping took over in 2013, and from the very beginning, you had this doctrine of military-civilian fusion. It's a fascist or communist country. Everything is fused together. And so first approximation as a Western or American businessman, it means that there are no private sector counterparties in China. There's no such thing as a purely private company. And there's no simply neutral way to work with China in any way.

As I said, there's a lot of blame to go around. There are Democrat versions, there are Republican versions that are more severe like this, but I think if we do not go back to being the anti-Communist Party, there is a declinist version one could have where you are a party that is nominally slightly more right of center. So we'll have all these debates where the Democrats are in favor of a little bit more socialistic democracy and we're in favor of a little bit more capitalistic republicanism. And you have these minor debates, but if we don't pay attention, we may just become ... If you don't stand up to Red China, you may end up just being coopted, a stooge, a patsy, something like this.

The template for this I think of is the Kuomintang Party in Taiwan where that is the right of center party historically. It is the pro-military party, and then somehow over the last few decades, it has become this fully coopted united front subsidiary of the CCP. And that is a fate that we should always avoid as Republicans. Now I prefaced my remarks by saying that this is free advice and you should discount it as much as you like. I do not know if this advice, this reorientation, a move away from codependency is going to translate immediately into fast victories. Reagan gave his speech in 1964. The Phyllis Schlafly's version was, "We want a choice, not an echo," but it was still 16 years. It took a long, long time.

We always like to say Churchill was a Conservative. We tend to not stress that Chamberlain was also a member of the Conservative Party in Britain, and that for a decade, Chamberlain seemed like the far more reasonable person, the far saner electoral person. So the better political strategy, more reasonable. This is how things have to be. We need to find ways to make the codependency work because the argument was always, "There's no alternative to appeasement, there's no alternative to today détente. There's no alternative to codependency," and to that, we must always say, "There're always an alternative. It's going to be hard to figure out the details. It may not win you the last election or the next one, but you will be on the right side of history. Thank you very much.