From the Horse’s Mouth: Intrepid Conversation with Phil Fersht | Season 1

Episode 7: The Future is Here - Professor Scott Galloway, Professor of Marketing at NYU Stern School of Business

00:41 Phil Fersht

I'm delighted to have Scott Galloway. He's a very famous known entity in the world of podcasts. He's also a professor of marketing at NYU Stern School of Business. He's mentored many great marketeers and business leaders in his time, and he's very famous now for his Prof.G and Pivot podcasts. I think many of you will be familiar with Scott.

He's been talking a lot around media consolidation, what he's termed as the testosterone election, and the podcast election, and some of the high anxiety that's caused a lot of that mayhem in 2024. So, without further ado, let's hear from Professor G.

So you've got a Brit in New York who's going to interview an American in London. Fantastic to hear so many of your thoughts condensed into 45 minutes. It's fantastic Scott. And if anyone wants to do a podcast, you need a voice as soothing and cathartic as Scott's. And then you can just listen to him all the time, but thank you very much. Just a couple of things that I think would be really good for everyone to hear is you were talking the other day on your pod about what you think is going to happen after the election. And you said something around Trump, and outside of the big clown show, he's not going to fuck with the economy. Can you expand a bit more on why you why you said that and why you think that?

2:17 Professor Scott Galloway

Well, just based on his picks, I feel the majority of his picks are from a bad episode of Dancing with the Stars. But if you look at just based on the economy, they've been adults, they've been very credible, impressive people. So, it's almost as if he's decided in one place I gotta be serious is around the economy. I think of the folks he’s picked, I wouldn’t be surprised if he left FTC Chair Khan in place. I think Chairman Powell, last year, Taylor Swift was the Times Person of the Year. That's ridiculous. The most consequential person in America maybe even the world I see other than Putin or Zelenskyy is probably Jerome Powell who took inflation down in the West. But I feel, and I think most people on both sides of the aisle could feel that Trump's picks for Treasury Secretary, Commerce just appear to be very solid competent picks, which stands in stark contrast to some of the other folks.

03:16 Phil Fersht

Okay. Fantastic. You also mentioned at the beginning, one of our biggest issues, particularly impacting young men is loneliness. We picked up a bit yesterday, I think, loneliness is impactful in the corporate setting. And 20 years ago, or even 10 years ago, it didn't matter if you hated who you worked with, as long as you got the job done. You did a job, you went to the office, you did your stuff, you went home. Now, most people spend most of the time stuck at home, got the dog for company, whatever.

You kind of got to like who you work with, right? You kind of have to get on with people. It's becoming an increasingly important part of the job. Everyone's saying, hey, I’ve got all this time freed up because I'm using AI. What do you do with that free time? And you know I think part of our take is: talk to your colleagues, get to know them better, embrace them. Everyone is lonely. I think it's broader than just maybe young men. I think loneliness is something that's impacting everybody.

04:18 Professor Scott Galloway

Yeah, it's essentially harbored around men, one in four men don't have a best friend, one in seven men can't name a single friend. Men have a much more difficult time maintaining social fabric without romantic relationships. It's usually your wife, or your girlfriend forcing you to go to that Christmas party or make plans with neighbors. When men aren’t in a relationship or are working, they become so isolated.

Our superpowers as a species is our cooperation. And it's hard to cooperate and build things remotely. I think remote work is a disaster for young people. I think it's an enormous helper for caregivers. If you're taking care of your kids, or your parents, or your own health, or you can't afford to live near the office, I think special accommodation should be made for remote work. But the young people I coach, I tell them, for God's sake, get into the office before you have dogs and kids. That’s where you’re going to meet mentors, friends, potential mates. HR doesn't like to talk about this, but one in three marriages started to work. And where are people supposed to meet and fall in love and find friends, mentors, business partners?

One of the recommendations I made when I talked to various administrations is, I think we need mandatory national service. I was just in Israel, and I met with this batallion, from the IDF at the time, 160 kids, average age of 19, fit, outside all day, learning how to handle semi-automatic weapons. You get the sense they'd die for each other, all serving something bigger than themselves, and that was their country. And I think some of the things that they lost in addition to all of this is the lack of appreciation for just how wonderful America is.

 And I think a way of sort out would be to give some different economic, social orientation, ethnic backgrounds, a chance to meet other great Americans and serving in the agency of America. If you look at government, this is the most unproductive legislative session in history. And the most productive where they all along was the 50s, 60s, and 70s because the majority of our elected leaders had all served in the same uniform. And they saw themselves as Americans before they saw themselves as Republicans and Democrats. So, I think it's so crucial for young people to get together.

I'll leave you a more unconventional approach; I've had Andrew Huberman and Peter Attia in my podcast, who are these famous neuro scientists and doctors. And the medical community has sort of declared war on alcohol. They see drunkenness in young people, I see togetherness. I’d like to see young people, and this is a bit tongue in cheek, to go out more, drink more, and make a series of bad decisions that might payoff.

07:04 Phil Fersht

So you mentioned about, at length, and you gave some fantastic examples about the insane wealth and power of big tech. I mean, it is it's getting to the point where, you know, you hear about Elon having conversations with Putin and things like that. How much of an impact do you think this is going to have on global stability and a second point is. Let's talk about big tech needs to be broken up more, but can it? Is it so powerful at this point that it's got a hold on government and this is just the way the world's going?

07:43 Professor Scott Galloway

I'll take a the last one first. So, I've been predicting a breakup a big tech for five years and I've been wrong for five years, but it does look like the DOJ is pretty serious. There’s already been a case saying that Alphabet should be broken up and they’re looking at remedies now.

Chairman Khan has not been intimidated by a new president and has already announced a new investigation. You know, I'm a capitalist. I own stocks and all these companies except for Meta. And I believe I'll make money on break up. If you look back on early break up, it's hard to point to one that was bad for shareholders. Essentially, consumers win because there's more competition.

Salaries go up because there's more companies that want to rent your labor. Taxes go up because, generally speaking, there's more economic growth. If you look at AT&T was broken into seven baby Bells in 10 years. Each one of those seven companies was worth more than the original AT&T. So breakups are a fantastic way of oxygenating the economy. It seems to be a bipartisan issue. So, I'm quite hopeful that we're going to see either some prophylactic spins or an actual breakup. There's way too much concentration in the economy, and the result of the lack of competition. Think about your Google search. Has it really changed much in the last 10 years?

So, you think about the tax we’re paying in terms of our kids and social media. If there was more than one social media company I think they would be more inclined to try and figure out child safety, would be a little bit more responsive to concerns around elections and with misinformation. And so, there's just not a lot of competition, we're hugely overdue for additional regulation and a breakup of these companies. And what was your first question?

09:26 Phil Fersht

How much of an impact do you think it could have on global stability, so much wealth ah being concentrated among such a small number of individuals?

09:40 Professor Scott Galloway

Well, income inequality always self corrects. That's the good news. The bad news is the means of correction are usually war, famine, or revolution. And generally speaking, when 1% population gets to a certain level of control of wealth, the bottom 99 decides that the fastest way to triple their income is to kill those people who tell them to pack up and leave. And this is what has happened in Central America and Cuba over and over. And in Russia, I mean, this happens all the time.

And I would argue we're kind of having a series of mini-revolutions. And that is, people are reminded 210 times a day it seems as if everyone around them has a boyfriend with ripped abs or friends who are flying on private jets. And they hear about the market's hitting new highs, but the majority of our prosperity has been crammed into the top 1%. If you took out the top 1% income-rearing households in America, we have grown our economy slower than France the last 20 years.

So, similar to what Gibson said about technology, the future is here, if it's just not evenly distributed. In America, prosperity is here. It's just not evenly distributed. Two thirds of economic growth over the next year globally is going to come out of the US. Unfortunately, more and more of it is being crammed into a smaller number of households. And the question is, at what point is there a breaking point? I would argue that's kind of already happened. And that is people are just so incredibly dissatisfied with America that almost no incumbent can survive. I think that the people, I don't want to tell you obviously what happened to Harris, I mean, it's simple. The cake was baked, she's the incumbent, no incumbent was going to survive in an economy where so many people are not doing as well as they were doing and are reminded every day that they're really doing poorly because of the wealth and ownership in the face of social media.

11:28Phil Fersht

And along those lines, how broken is the US at the moment after a very battering, bruising election? It's caused divisions within families. It was a big discussion around people coping during Thanksgiving with half the family's blue, the other half's red. And now there's a conversation around what can we trust? What information is real? How broken are we, Scott? And is this going to heal or are we just going to go through cycle after cycle now of this type of politicking?

12:01 Professor Scott Galloway

Well, as broken as we might think we are, there's 190 countries, 189 would change places with us. We have so much economic growth. We still have the best universities. We have the best technology. We have the best media.

I like to think we're getting our act together in terms of recognizing that these companies do not have our best interests at heart and require regulation. I also, I’m paranoid but that doesn't mean I'm wrong, but I think that our adversaries cannot beat us economically, they cannot beat us militarily, so they weaponize their social media platforms to divide us.

And I think we're starting to get hip to that and we're going to put in place some regulations. I think the Senate TikTok to U.S. entities is a smart idea. But I'll roughly quote Bill Clinton and that is there's nothing wrong with America that can't be fixed with what's right with it. We have the hard part figured out in four minutes post close of the market into the earnings of Nvidia, it adds $250 billion in market cap.

The hardest thing about solving these problems is resources. And we have the hard part figured out. So I would argue that we have the resources. I think we kind of have to hit rock bottom, but I do think there's a, I think America at its heart is a very generous, loving people. And I think we have tremendous resources and it seems like we should be able to use both of those to vastly improve or kind of solve a problem. If America was a horror movie right now, it's the call is coming from inside of the house.

If you look at us relevent to other nations, we have the lowest inflation and the strongest growth. It's almost impossible to pull off. The shareholder, we now constitute 50% of all value in the stock market is contained within our nation, despire only having 5% of the population. We still have a democracy, women are doing really well. There's a lot to point to here where things are really strong. The problem is that we don't like each other.

 So I think institutions, whether it's religious institutions, nonprofits, mandatory national service, taking the heat down, holding social media accountable for creating a discourse that is increasingly coarse. But like I said, I don't think there's anything, any problem we have that can't be fixed so with one of the blessings of the assets we have.

14:19 Phil Fersht

Great answer. I think a lot of people here appreciated that. It's getting to the end here. You made a comment earlier around the pop, the AI bubble isn't going to be as bad as the one we went through with the internet because the fundamentals are better. What are those fundamentals from your perspective?

14:43 Professor Scott Galloway

So, it’s revenues and earnings growth. Basically what you have is, in 99, people said, I can't understand who the winners and losers are. We know people have probably gotten out over the shoes in terms of valuations of internet or e-commerce companies. So, I'll invest in the steel on the ground, the infrastructure of Cisco. And Cisco's price and earnings multiple went to 120.

And with NVIDIA, it might be 35 or 40 or 50, but its underlying earnings and revenue growth has been really dramatic. So, in sum, that massive increase in valuation is more justified based on underlying business dynamics as revenue growth and earnings than just a mood or a frenzy or AI. So, does that mean they're not overvalued? No, I don't know. But I can tell you that the revenue growth and the earnings are much more robust and real than they were in these companies in 1999.

15:42 Phil Fersht

Wonderful. Well, I think this has been an absolutely wonderful hour of your time and to hear many of your thoughts that many of us have been listening to on your pod, Scott. So I wanted to personally thank you. I love listening to your pod every week or every other day at the moment. So and I'm sure everyone here in the audience appreciates you too. So thank you very much.

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