

SM106 | 1.28.2023**A Smarter Way | Episode 3**

Liz Hoffman, Business & Finance Editor, Semafor

We're joined this week by Liz Hoffman, Business & Finance Editor at Semafor and the author of the forthcoming book *Crash Landing: The Inside Story of How the World's Biggest Companies Survived an Economy on the Brink*. SmarterMarkets™ host David Greely sits down with Liz to discuss how to provide trustworthy financial news to an interconnected world with increasingly divergent and competing viewpoints.

Liz Hoffman (00s):

Declining trust in institutions of all kinds and that extends to legacy media brands, but certainly Congress, the Fed, the Supreme Court, like pick your rock solid institution and there's eroding trust in them. But at the same time being offset by increasing trust in individuals. Social media, for all of its societal ills, has really made it possible to be very discerning about who you listen to and why. And I think that's a really valuable replacement tool in journalism.

Announcer (27s):

Welcome to SmarterMarkets, a weekly podcast featuring the icons and entrepreneurs of technology, commodities, and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together we examine the questions are we facing a crisis of information or a crisis of trust and will building smarter markets be the antidote?

David Greely (53s):

Welcome back to a Smarter Way on Smarter Markets. I'm Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Liz Hoffman, Business and Finance Editor at Semafor. We'll be discussing how to provide trustworthy financial news to an interconnected world with increasingly divergent and competing viewpoints. Hello, Liz. Welcome to Smarter Markets.

Liz Hoffman (01m 15s):

Hi.

David Greely (01m 16s):

And I also wanna welcome you back I hear you're just back from Davos and I wanna talk with you today mostly about the challenges and opportunities in financial journalism in today's world. But I read a really insightful piece that you had written from the World Economic Forum in Davos, and I wanted to ask you about that first because it really struck a chord with me and it kind of gets to the heart of what we're trying to do with this podcast series. The article was, you know, you wrote, don't bet on the Davos consensus, and I'm just gonna read what you wrote cuz it, I really liked it. you wrote, there are plenty of legitimate gripes about Davos. It's elitist, it's hypocritical, it's opaque, it shares little about where it's 400 million plus in revenue goes all fair. My gripe is that it's wrong consistently about important things and that's what I wanted to ask you about you know, the idea of these, you know, so-called elite forums and institutions that seem to keep failing forward in a certain way and I wanted to understand why do you think that is because what we're trying to address in this series is we seem to have these recurring problems that just keep happening over and over, and is there a smarter way to deal with them. So why do you think, you know, in particular say why is Davos wrong consistently and about important things?

Liz Hoffman (02m 31s):

Davos is funny, right. It has your thoughts aside, you know, of what the sort of global elite leader, whatever your feelings might be, some of the smartest, most powerful, best connected people in the world descend on this tiny town in the Alps for like five days and the consensus is a weird thing because you have these conversations on Monday and they're kind of like wide ranging, then everyone's just sort of batting around ideas and then by like Wednesday you can start to feel this consensus kind of congeal the cement starts to dry around, what do we think and by Friday it's basically canon, right and people take this canon back. It's like, it's a catechism really, and it's kind of handed down from the mountain. Is this received wisdom and you know, as I wrote, it's just like consistently blows it, so just like a, a short list of things that Davos missed.

Liz Hoffman (03m 16s):

You know, you go back to 2008, massively missed the risk of a, of a coming global recession. 2016, totally missed the risks on Brexit and Donald Trump getting elected, right. The two events that really defined the turbulence of that year completely missed the slowing global growth in 18 and 19 and then in 2020, you know, I think that will go down as just like the most absurd gathering of humans in history, right. Like just absolutely nobody was talking about the pandemic, despite the fact that at that point a couple hundred people were sick in China of us who confirmed its first case the day the conference started, and just like not even a mention of it and the sort of same communal behavior that would, you know, very soon just start to feel like it came from another planet. I remember being, you know, in my apartment lockdown six weeks later thinking about just how physically close I was to so many people, pun Davos.

Liz Hoffman (04m 11s):

And you know, you're eating off of these communal trays and dipping in fondue fountains. I mean, the whole thing, if there was a whiff that there was a pandemic coming, it was not to be felt in Davos. So like why I think that Davos the group at Davos, I mean, they don't wake up in the morning trying to be wrong about stuff. I think they are biased in two meaningful ways. They're biased towards optimism and they are biased towards globalism and I, you know, Davos was less well covered in the nineties, but I suspect if you went back and listened to the consensus that came out of those meetings, they would've been more on the money, right. That was the decade that brought us NAFTA and the Euro zone, right. There was this real kind of globalization, this cohesion sort of steady march towards what everyone assumed would be this liberal borderless global economy that's just been a much harder sell the last five years.

Liz Hoffman (04m 58s):

You're starting to see real regional factionalism nationalism, vulcanization borders are going back up. Supply chains are getting geopolitically complicated. So I think what Davos wants and it's heart to be true is just increasingly has not been. So they've, they've had a tough betting record. And actually in 2017, I think Davos in a like an, in a weird spasm of self-awareness, invited some psychology experts to talk about why people get predictions so wrong. And I think the best defense one of them had for why Davos man consistently blows it is that, well, he's actually not always wrong, but he's not better than a dart throwing chimpanzee, which is not like particularly high praise. So, you know, I don't know. I think it's, it's, it's very vulnerable to groupthink. And the people there want things to be good and so that's what they say and the kind of what they bake into the, into the cake.

David Greely (05m 48s):

Yeah, that's what I found so interesting because, you know, dart throwing chimpanzees aside, it feels very human, right, like I think often there's a, there's a storyline of like, like the smoke-filled room and the, you know, the elites plotting against humanity, but it sometimes it strikes me more as like high school cafeteria right like kind of, the consensus forms. You don't want to be the person who's talking against the consensus. You want to be hanging with the cool kids and so there's not much incentive to say things differently and of course we all, we all have our biases. We all want the things we believe to be true, to be true. I love that thing about them having some introspection and looking for, for reasons of how they could improve it. I was curious though, you know, when we look at these organizations, you know, you've been to Davos many times. Should we be looking to Davos for the big answers on the world's problems or should we be looking to other types of institutions or organizations or approaches?

Liz Hoffman (06m 46s):

I do not personally look for answers to the world's problems at Davos. I'm sure there are people who do. I actually, this year was really struck by, there were really two Davos happening, Davo da what's the, what's the plural of Davos. There's one that's happening in the big conference center where these panels on, you know, sustainability and water scarcity and eating bugs. I mean like the kind of stuff that that makes a large segment of the world just kind of roll their eyes a little bit, but are, you know, objectively kind of lofty, idealistic things and those, the people that are at that Davos are largely public sector, non-profit NGOs, they are far blacker and browner than the rest of the conference much more international and then there's this other Davos that's happening very quietly, you know, in the Belvedere in the Hilton, you know, in these suites where they're fundamentally just business meetings and it's just become a convenient way for Western executives to knock off a lot of global business in a couple of days. So I don't know if Davos is comfortable with that kind of dichotomy but I think that's really what it's turned into.

David Greely (07m 50s):

And I wanted to turn to a different story, but I think it's related in a certain sense. You know, one of the areas that, you know, some people were looking to for, you know, kind of liberation from the role of the elites was in the cryptocurrency world and I think there, you know, you've had the big financial story this year, of course has been the collapse of the cryptocurrency exchange FTX and while much of the traditional financial media, you know, had been celebrating the success of Sam Bankman-Fried and FTX kind of right up to

its implosion, why was there not you think more scrutiny on that story early on. I'm just curious why would you think that happened in your opinion, is it conflicts of interest, reliance on ad money need for access or something else?

Liz Hoffman (08m 34s):

I think it's, first of all, very fair question and we've thought a lot about it. I don't, certainly not reliance on advertising. I mean, no journalists, I don't, no journalists that I respect like spends five minutes thinking about who their advertisers are. I think there's just the same kind of bias that we were kind of talking about at Davos, which is you sort of want things to be true and Sam Bankman-Fried who I should note as an investor in my company, right, to talk about, you know, trying very hard not to pay any attention to conflicts of interest. And we really didn't. I think our reporting on that stands on its own two feet but, you know, there was, there was something sort of undeniably fascinating about him. He was weird. He was sort of earnest and kind of unthreatening and dorky and I don't know, like things that when you look at them in one light just frankly made him incredibly compelling.

Liz Hoffman (09m 20s):

There were, I mean, I can't remember how many cover profiles were written about this guy. None were, they weren't all necessarily like overflowing with praise, but it was like, this guy is weird. Why that didn't translate into is his business weird. I'm not sure. I think probably some combination of due diligence that was done or as it turns out, not done by like very serious investors, right who have access to information that is journalists. We don't, I think there's probably a real knowledge gap between the mainstream press and crypto in general. There's certainly a lot of good journalism that has been come out of, you know, I would call crypto trade pubs and I have a lot of respect for trade publication reporters. I started out as one covering the legal industry, but it's a different, it's a different relationship with your subject and with your sources, right?

Liz Hoffman (10m 04s):

Like if you work at a crypto startup, a journalism startup, you are into crypto. Like you, you think it fundamentally has some staying value. You think it's interesting you probably understand the kind of beeps and boops in a way that I would not say is, is a, is a journalistic capture, but certainly gives you a different lens on what that industry is and how you ought to cover it and then you have kind of the mainstream press that perhaps has some of the instincts to look closer, but frankly probably just doesn't know what to look for. So I don't know, I, you know, I was not a crypto reporter still not when this, when this all happened and I've actually sort of approached it, it's just more of a straight down the middle finance story, which is where I'm comfortable and actually what I really think it is.

David Greely (10m 44s):

Right and probably would've been easier for people to see the problems if they looked at it as a straight up finance story instead of technology bells and whistles that kind of obfuscate what seemed pretty straightforward.

Liz Hoffman (10m 54s):

Totally and that's why I find this story so fascinating, which is, you know, for 10 years these crypto evangelists said you are being, you know, you're a schmuck, you are being used by the system, it's tilted against you and some of those things are true, right, but we're gonna build this totally separate trustless system where algorithms do all the work and there's no central counterparties and what is even money and it turns out like, nope, there, like there is no escape velocity from the basic laws of finance. Like gravity still applies. You still have to have the money when people ask for it. You still have to have central trusted counterparties right there. There are some, there's some friction built into the existing system that is bad but a lot of it is there for a reason and, and I think just watching this thing crash to earth in ways that anyone who's studied past financial crises or collapses for five minutes could tell you is incredibly obvious.

David Greely (11m 43s):

Right, right and there's, yeah, it's just running straight up, straight up financial malfeasance that we've seen dozens of times before just in in a new set of clothes I suppose and I wanted to ask you, you know, it's, it's fascinating, you know, between the two of them because in both it seems like as you, there's this role of the forming of the consensus and once the consensus kind of gels it, it kind of hardens and then it becomes very different to question you know, you, you brought that up in the context of, you know, the what comes out of Davos also seems to have come out of, you know, what do we make of this weird young guy who seems so successful in crypto, you know, he's weird, but he's the financial wonder kin who's gonna transform the financial system. Do you think like that role of the consensus formation and then it being very hard once it's formed to go against it, is that something you run up against?

Liz Hoffman (12m 33s):

I mean this was a little before my time, but Bernie Madoff carried on his fraud for years, decades. Yeah, right. I think when you look back, and again, I'm not trying to pat the media on the back here, the FTX story is really an 18 month sort of self-contained story and I suspect he will end up doing some jail time. So, you know, in the end I, I think, you know, handle wrapped up rather, rather quickly but yeah, I do think there's something to that, right, like as you're coming to a new story, you say what, what have other people written? What's out there? What's thoughtful? You talk to smart people and there were a lot of smart people who were snowed here, right? So I don't know exactly where the, the Cassandra and the coal mine would've come from. And ultimately it came from, a competitor right who sort of tugged the, the first thread that unraveled that entire sweater. So I don't know, I think these things are, are like worth postmorteming as a journalist for sure.

David Greely (13m 24s):

Right and so I'd like to, you know, maybe now turn a little bit more personally to you. I mean, you worked in financial reporter for the Wall Street Journal and left to join Semafor and so the Wall Street Journal has arguably been the pinnacle of traditional financial journalism in America, so I was curious what led you to leave to join Semafor?

Liz Hoffman (13:44):

Bags of money, No I'm just kidding. No, look, I was at the Wall Street Journal for nine years and I loved it. I mean, I loved every day there I was a privilege. You know, I do think there is, some seismic things happening in media. I am not smart enough to know what they are though. The two co-founders of Semafor, you know, are really steeped in that business and every interesting successful thing that's happened in media over the last 20 years has had one or both of them attached to it and so I don't know the things that I think we're tapping into that I hope will strike a nerve, you know, declining trust in institutions of all kinds, you know, and that extends to legacy media brands, but certainly Congress, the Feds, the Supreme Court, like pick your rock solid institution and there's eroding trust in them, but at the same time being offset by increasing trust in individuals.

Liz Hoffman (14m 30s):

You know social media for all of its societal ills has really made it possible to be very discerning about who you listen to and why and I think that's a really valuable replacement tool in journalism and so, you know, the pitch was, come here, we're gonna build a business and finance small little business and finance company around you, a journalistic product around you and you can you know, follow the things that interest you and not worry about the ones that don't and that's a privilege, you know, when you work at a newspaper, the front page of the newspaper has to be what happened that day. So we have a different mandate and it's a privilege to, to get to kind of rock and roll a little bit But no, and the other thing I think is at the journal, you know, there was a lot of interest at a high level in innovating and storytelling and they certainly did great things, video and podcasts, but I would find that when you would like sit down to write a news story, no matter what you did, it always kind of ended up being 800 words and a photo at the top that there was some just like gravitational vortex that everything kind of ended up there.

Liz Hoffman (15m 28s):

And I'm not sure that that's the way people want to you know, I would find often that I would save my best stuff for Twitter. I don't love giving content away for free to twitter.com. So, you know, trying to rethink how we do stories a little bit, and you'll see in, in our story form, it's incredibly stripped down. It's like our executive editor calls it exposed architecture, but here's the scoop and this part is these are the facts and of we treat these facts as seriously as the Wall Street General does. They have to be right here is genuinely what I think about it. Rather than pretending that reporters are fact collecting robots who like don't have opinions. Which is I think how a lot of other newsrooms have kind of self them emulated a bit in the last couple of years. Just like attack it head on. Here's generally what I think about it. Here is where I might be wrong. Here's my personal blind spot, someone smart who disagrees with me or overweight something I've said or underweight something I've said and then the last thing is we really do try to bring a global perspective in, because when I talk to investors and CEOs, they run their businesses, they run their portfolios globally and so they don't wanna have to read 15 things every day so to try to really be global.

David Greely (16m 28s):

Yeah, I really enjoy that format and find it very useful, like just the facts up front, but then give me your take. Don't pretend that you don't have one because you know a lot more about these things than I do, you know, and you've talked to the people directly and you know you're being put in there,

Liz Hoffman (16m 43s):

Kind of slide it in, right, because you know, you can say, I never knowingly or deliberately put any bias into any story ever wrote at the journal, but there's institutional bias. There's bias in who you choose to quote and how you choose to stack the blocks and there was always this to be sure paragraph what everyone calls it and you have to put it like high enough that it was before the jump, but like it, it was like, yeah, maybe not, but actually we wanna like pull that out and give it its own real estate, put a really smart voice in there. And then when we do get it wrong, we should do sometimes just like completely own it and kind of re-report the story a little bit. It's been really fun to do.

David Greely (17m 16s):

That's great and I want to come back to, you know, you brought up the issue of trust and, you know, trust in institutions being low, including institutions like the media, but then also kind of a fairly high amount of trust in individuals probably sometimes earn, sometimes not earned. Especially as you get into social media and it's not quite sure the individual you might be relating to or not and I wanted to ask you, you know, when you take it down to financial media, your area, what do you see as some of the biggest challenges to creating that trust?

Liz Hoffman (17m 47s):

I think reporters are often criticized for, you know, wanting an outcome to be true and I don't think that really ever is to the extent it ever is. Financial reporters are human beings and thus rooting for the economy to do well, right. You know, certainly crises are fun to report on, but you, they're not, it's not worth it. You're not wishing that on the economy. So I think there is sort of an, an opportunistic bias based in sometimes both on sort of like companies and trajectories products in particular. Like a lot of journalism I certainly got a lot better, but in the early days a lot of tech journalism's basically product reviews, you know and I think once the media very rightly woke up and said, whoa, these are, these are hugely powerful companies who are shaping our, our lives and our politics, I actually think the pendulum probably swung a little too hard to the other direction, right?

Liz Hoffman (18m 35s):

And so you're always kind of trying to find that balance but I think, and I, and I've sort of noticed it more as I joined se four, just the ability to talk to people about complicated people. Like you'd be telling your friends because there's so much jargon, we really, we try to be incredibly allergic to jargon and to really be selective in our stories, right? I covered m and a for a long time and it's an incredibly fun beat and like a very, it's a very specific kind of reporting muscle that you, when you learn how to do it. That's said, I think sometimes there's a tendency to cover m and a is if it's an un alloyed good, right? More deals is good. Like, I don't know why they're exciting and stocks move and, and their scoops and it's fun, but it's like one company you've never heard of buying this other company you've never heard of and we can't really tell you why because we don't cover these companies. We cover deals. So I think trying to just be, to always think of the reader and not write for your competitors or right for your sources, I think is just a good mantra to, to sort of say in the mirror every morning.

David Greely (19m 27s):

That's great. Yeah. I wanted to ask you one thing about financial media, and it might be more true in broadcast relative to print, but I think there's often a sense that financial pundits maybe have to act a lot more certain about things that are inherently uncertain you know, I spend a lot of time talking with traders and investors and you know, most traders, you know, the most successful among them will, you know, in their honest moments tell you that they're right a little tiny bit more than they're wrong like maybe 52% 53% of the time. So I think sometimes there's this, you know, idea of if people are speaking too confidently about issues that everyone in the know knows you can't be that confident about. It can be eroding of trust and maybe that's part of the, the move you're doing at se four of separating facts where you want to be a hundred percent confident first opinion, where you're given your best, your best thoughts. Do you find like a need to like have that authoritativeness in coverage that can be difficult?

Liz Hoffman (20m 26s):

I find sometimes when I'll be pursuing a story and look some stories, some scoops are just too good. They have to just live on their own but if, if I'm reporting a story and I really, I don't have a point of view on it or I'm not really sure what the thing is, then it may just not be a story for us and I think that's, there's some discipline baked into how we're approaching the news but to your point about, about, you know, having to sort of be authoritative, you know, if you get too much into on this hand, on the other hand, I'm not really sure what you're giving readers, but I think the best example of that, and it serves a huge purpose, it has to be done but you know, every day a reporter at the Wall Street Journal, at Reuters, at Bloomberg has to write a story about what the stock market did that day, right and there's always some tendency to kind of try to figure out why and sometimes it's obvious, right, like Greece defaulted on its debt. Sure

European stocks are down, but often there just isn't and it's just not that satisfying and you just sort of try to shoehorn something in any way and, and hope that no one will squint too closely at it. You know, I think that is hard and it's particularly hard in, in financial reporting because you know, you've spent your entire career as a student of the markets like sometimes they make no sense.

David Greely (21m 29s):

Yeah, we used to laugh because you know, I used to have to write analysis reports, you know, when I worked in research at Goldman and some days a big move would happen and you'd call down to the desk to ask the traders, you know, hey, what's going on. Usually they would laugh at you and say, more buyers than sellers or more sellers than buyers. Like, thanks, it's very insightful markets go.

Liz Hoffman (21m 47s):

Markets up and downgrade

David Greely (21m 49s):

But it's kind of teacher like, somebody's like, yeah, like if you don't know you pretending, you know, certainly doesn't help build that trust no and so I also wanted to ask you because in addition to the reporting you do, you've also recently published a book *Crash Landing* on how the world's biggest companies navigated the COVID-19 pandemic and certainly that's an episode that I think we'll be digging through the implications for trust in institutions and media for a long time and I was curious, you know, not only what did you learn, but what do you think the rest of us need to take away about the state of trust in business, government and media and the importance of it from the COVID-19 experience?

Liz Hoffman (22m 34s):

Yeah, I mean, one correction, it has not published yet. It publishes on March 7th. So your readers can still pre-order it, but they won't get it for six weeks or so. But it's done. Yeah. I mean it was just a fascinating project start to finish. I mean, I, it really came out of reporting that I'd done for the journal. We did this huge, it's like 9,000 word story the first weekend of April of 2020 and it was a Tik Tok, it was like the month of March, day by day seen through the eyes of, you know, the biggest CEOs and investors and policy makers in the world and it was really the month that the economy just completely shut down and we thought that was an important moment to capture, but it just made so obvious from the jump that there was this incredible, frankly, narrative tension that was unspool every day and that there were huge questions that were going to be answered by the time we were done.

Liz Hoffman (23m 20s):

Now I, like you or everyone probably assumed we would've been done in six months and not still talking about this three years later. But no, my takeaway is, and look it's, you know, since we're being super transparent about bias and reporting, you have to kind of own it on the way in. I suspect though, I don't know that most of the people who ended up talking to me thought they had good stories to tell that would ultimately end well for them. And they did though they started talking to me. And I think at a time, time when that wasn't totally clear, but there's probably some self-selection built into the stories that I chose to tell my takeaway. And we can, there's a couple of layers of this because, you know, we're living with the consequences now is that things turned out pretty well. And a lot of credit goes to policymakers in Washington who did in a matter of a couple of weeks what it took policymakers in 2008 to do over the course of eight or nine months and what policymakers in 1929 never did, right?

Liz Hoffman (24m 15s):

So we are getting better at this. We, we are iterating in a positive way, I think, you know, so certainly the central bank response, I think a minus a very high marks for me. And we can get into some of the downsides there. And then, you know, at a, at a corporate level, and I'm always sort of wary of being accused of sort of being an apologist for CEOs who are not as a group universally loved. I will tell you that almost everyone I talked to was trying to do the right thing almost all of the time and almost always did it, which is to say, who am I responsible for here? What can I do to help them and how do we move forward? And so, you know, the answer to that first question is certainly employees, it's certainly shareholders, it's not, you know, it's not, we're not naive and it's, you know vendors and suppliers and broader stakeholders.

Liz Hoffman (25m 01s):

What do we need to do to help them. We need money right. So, you know, I was, I was shocked at how quickly and frankly expertly and really interestingly people short up their balance sheets incredibly quickly and then operationally like, how do we move forward from this and I think that's probably been the bumpiest one and you've seen some CEOs I think, kind of step in it not reading the room well or not really understanding the balance of power that had shifted between them and their employees during that, you know, 18

months or two years. But I, I think that most companies and I think the economy more broadly is coming out of this stronger than it went into it, which I realize is sort of a counterintuitive statement given the kind of bumpiness that we're in right now.

David Greely (25m 43s):

Ian, I'm curious, you know, do you think coming out of it, we're also coming out of it differently. Like do you see CEOs wanting to get back to the way business was done three plus years ago or is there more of a realization that this is changing things for the, the foreseeable future. I think a lot of people have a hard time remembering exactly how things were three plus years ago right now.

Liz Hoffman (26m 06s):

There is, there are these generational changes in kind of corporate archetypes, right. So, you know, coming out of the twenties was the sort of first group of leaders who were skilled in what they call the management science, right you know, really sort of operational organizational, a scientific bent to it and to kind of balance sheet management that kind of got sort of fat and lazy for a while. And then you got the conglomerates of the sixties and seventies, these big sort of big lazy organizations sort of churning out like very steady earnings growth on purpose for years and years along come the corporate Raiders of the eighties bust them all, all up. You know, the Raiders didn't last. But I think that discipline that they brought did, and you saw companies in the nineties, you know, they merged, they outsourced, I mean they really became corporate entities and, and the, and the CEOs that ran them kind of escaped the business world entirely, right?

Liz Hoffman (26m 57s):

Steve Jobs and Jeff Bezos and Jamie Diamond are, they're celebrities on their own and so trying to figure out what comes out of this, I think there is, and it's not just the pandemic itself, you have to remember all of the turbulence that got kicked up around it and that was kind of, it was super charged by it. So you're talking about the racial justice protests of, of 20 and 21. You're talking about, you know, increasingly divisive and toxic politics, right, You're talking about January 6th I mean this, this real, and it's hard to say there's no lab experiment, but you know, the pandemic obviously has a, a lot of that has its roots in the sort of anxiety and malaise that was brought by the pandemic but see, CEOs, I think I put in a tough spot, which is like, how do we respond to this, right?

Liz Hoffman (27m 42s):

There's this moment where there's a huge vacuum in public sector leadership. Our employees are looking to us, they're scared, they don't know what to do. The place they come every day is not safe and I think most CEOs, there's a, there's always a healthy amount of ego. I think a lot of them are sort of quietly in their heads living, you know, profiles and courage and then an opportunity to present itself to, to really truly live that and I, but I think most people tried to do the right thing and did it pretty well. And then you have to fast forward, right. You've got George Floyd is murdered by police in Minneapolis that is morally, unambiguously bad, right and I think most CEOs came out and said, that doesn't reflect our values. Great, you've got Russian invading Ukraine, morally, unambiguously terrible, right. Everyone who's remotely in Russia says, we're getting out of Russia.

Liz Hoffman (28m 29s):

This is a black and whiteish issue for us. But I think the longer this sort of discussion goes on the, the questions get harder for CEOs, right, should I weigh in on this? Should I weigh in on this. Do I, am I supposed to have an opinion on that? And you'll remember that Bob Chak at Disney didn't even get in trouble for taking an unpopular opinion. He got in trouble for saying, I don't think we should have an opinion. Right? And so I think the sort of blurring of corporate interests and sort of more broadly what I'll call the culture wars is gonna be incredibly fraught coming out of this. And I think the roots of that are like firmly baked in in March of 2020.

David Greely (29m 07s):

Right and do you think, is this a bit of the flip side of the decline of trust in many institutions that were putting much more trust in CEOs and the corporate world and the CEO celebrities?

Liz Hoffman (29m 20s):

Yeah actually let me pull this up because the Edelman Trust Survey, which is sort of the barometer on this, just came out last week and you know, there's this annual trust barometer that comes out every year, just came out last week and so for the third straight year. So basically going right back to the start of the pandemic trust in government has declined and trust in businesses has increased now, you know, both are pretty low I should say and business I think has been slowly clawing its way out of a massive trust hole that was dug in 2008 and 2009 and 2010, but I think I think there is something to that, I think a little bit probably is sort of the PR kind of softening the edges of a lot of companies that have happened in ways that I don't put a lot of stock in.

Liz Hoffman (30m 01s):

But I do think there's been a real genuine reset on the relationship between, let's call it capital and labor and certainly the balance for the moment has swung in favor of labor. You're starting to see real green shoots in the, you know, actual organized labor movement, but you also see it in companies just losing this tug of war to get people back in into the office. So I think always coming out of crises of any kind, the pendulum swings a little too far and it will settle back. But I think it's actually been a pretty healthy reset of the sort of balance of power between various constituencies in, in the business community.

David Greely (30m 35s):

Yeah and I wanted to ask you about one of those pendulum swings with the balance of power between a capital and labor because often technology can sometimes be disruptive and swing things away from labor and of course there's been a lot of, you know, interest recently in some of the new artificial intelligence like chat GPT, which writes looks like it's able to write what would pass as news stories and so I'm curious for your perspective as someone who's involved in creating that, what do you make of it and it's like, is it a threat or an opportunity for journalists?

Liz Hoffman (31m 10s):

Let me start with Semafor plug, which is, that was our scoop. We broke that story a couple of weeks ago that Microsoft was putting \$10 billion in and actually at the end of that story we had chat GPT write a version of the story just for kicks. And me and my colleague Reid were sitting there watching it because you know, it renders kind of in real time and like our jaws were just on the floor. I mean, it was wildly good. I think every round of automation has come with this same kind of hand ringing. Some of it, a lot of it turns out to be true. A lot of it doesn't, I think skills shift in ways that don't align perfectly with the jobs that are available and the skills that are needed. But over time they do. But you know, I've gotten that question a lot in the last couple weeks and what I would say is chat GPT wrote a pretty good story, but like they are not the ones that found out that Microsoft was putting 10 billion into chat GPT right, there's still a role for human news gathering, which I, it is just a real hand-to-hand combat business.

David Greely (32m 03s):

Yeah. See one, I mean in the worst case, it's kind of like high-tech plagiarism if it's just able to take what's already been produced and, and recycle it with a human voice.

Liz Hoffman (32m 12s):

No, but, I actually think the same thing is gonna be playing out on college campuses, right. If it is at the moment, you can still distinguish between an AI essay and, and not and a human one, but at some point you won't be able to. So then you have to say, well, well then what are, what are the metrics for education? Like, is this, are there other ways we can see whether this stuff is getting through and is sticking? But really maybe it should just be more of an input experience and less of an output experience. I don't know. But I mean, mean I think these are real questions people are gonna have to ask though. I did, I did joke with my old boss at the Wall Street Journal that like, I would never write another bank earnings story again. Like Chachi can do that incredibly well and you should, you should follow up.

David Greely (32m 51s):

Thank God.

Liz Hoffman (32m 53s):

Yeah, I could use a set of human eyes on it, but that is just not a value add. Respectfully. That's not a value add part of journalism.

David Greely (32m 59s):

And it does create this opportunity for, if you can have an AI write up serviceable first draft that can get you started and then, you know, save people staring at the white sheet of paper and then you, you know, where you can add in it could be a, a fantastic tool potentially.

Liz Hoffman (33m 15s):

First word is always the hardest and actually I joked with my, my publisher the other day that I should just go dig up all of my book notes, which I think are somewhere in some text files on my computer and just like plug them in and say, spit out give me 95,000 words on this but no, you know, the skill layer that's like, you know, that sits on top of a lot of these automated processes have gotten more valuable, right. We have assembly lines that changed how we produce cars, but like the, the engineering talent that, that improves them and makes them, you know, run safely and effectively is, is more valuable than it ever was.

David Greely (33m 50s):

Yeah and I wanted to ask you a bit, you know, cause not only is the financial media changing or evolving, but also the financial companies and industry that you cover as well is changing a whole lot. You talked about some of that in response to the pandemic, but I wanted to ask you about one in particular. You covered Goldman Sachs for a long time going back to 2017, you know, I think you broke the story about Goldman getting into crypto. You know, recently Goldman had moved into retail banking with Marcus, which didn't go well, and now they've announced a major reorganization and I was curious like how do you see the financial landscape that you cover changing now?

Liz Hoffman (34m 30s):

It's funny. Yeah, I've, started covering Goldman in the middle of 2016. It's been a long time. You know what, I caught Goldman at a particularly interesting time, right. You have to wind back the clock a little bit but if you go back to 2008, Lehman failed, Bear Stearns essentially failed. It was bought by JP Morgan, same with Merrill Lynch bought by Bank of America and you had these two legacy investment banks that like were hanging on by their absolute nails and were ultimately rescued by the Fed as Goldman Sachs and Morgan Stanley and they came out of it with, they became banks in a way that they hadn't before. They were really trading shops before and they came out of it, you know, with a bank license and then took them a couple years to say, what do we want to do with this?

Liz Hoffman (35m 10s):

And Goldman decided if we're a bank, we should be a bank and we should be a retail, you know, a basic savings and loan bank and they decided to try to do it digitally, which, you know, it all seems kind of to be a perfectly good idea. I don't think, not that I'm a strategic expert on this stuff, I never had any strategic qualms with it, executed pretty badly, you know, massively overspent over hired and so as, as you know, we birthed the story a couple weeks ago, there were gonna be some massive layoffs that just came last week, more than 3,000 people, which is a lot for them. I think the reason that they did it though, actually says a lot about where the industry is, which is there's all these forces that are kind of pushing everyone to be a universal bank, more or less, you know, used to have thrifts back in the day, right?

Liz Hoffman (35m 53s):

Which were somehow distinct from, you know, commercial banks that had savings accounts for retail and then you had the investment banks on Wall Street. Everyone is kind of a universal bank now. They're more or less in four businesses. They're in commercial banking, they're in investment banking, they're in retail banking and they're in asset management, asset and wealth management. Basically all the big banks have some version of, of each of those four and there's just a lot of regulatory pressure that kind of encourages you to be big and to go in places that you're not. But actually I think the biggest thing that I've seen in my, you know, 10 years or so covering Wall Street is that everyone thinks Wall Street are the banks, but they're not, that's not Wall Street anymore, right. So much of the money and so much of the, the sort of power and the people driving the next like generation of, I'm gonna roll my eyes a little bit, but financial innovation don't work at the banks. They're on the buy side. They want, you know, private equities, these private debt shops. I suspect if you were still in the business, you probably wouldn't be sitting on the commodities desk at Goldman. You would be on the other side of the aisle doing all kinds of interesting stuff that just the banks can't or don't want to do anymore. So, you know, Blackstone has a trillion dollars.

Liz Hoffman (37m 01s):

That, that's, that's basically the size of Goldman's balance sheet. So I mean, I think just really that, that massive shift of power and influence from, from the south side to the buy side.

David Greely (37m 11s):

Well you're, you're taking me down memory lane cause I was at Goldman in 2008, so I remember that very well and I started my career at the FDI C in Washington. So I used to have to know very well the difference between commercial banks and thrifts and savings loans and all the others. So like, we've talked a lot today and I really appreciate it about the challenges and the opportunities and financial media and seems like there's across all these different cross currents that we've talked about, you know, what your north star is. Like, what's the objective that's guiding you as you try to find the better, smarter way forward for the industry and for yourself?

Liz Hoffman (37m 48s):

That's a good question. What is it like journalism I think is sometimes a little bit, it's slightly unfairly, but, but mostly accurately referred to as a bit of a dark art, which is like, it's not really clear how you do it, except maybe if you're lucky enough to sit next to someone who's really good at it, then you kind of learn how they do it. But you know, fundamentally good stories, right? And, and we can dig into what that is, but fundamentally a good story to me should inform it should ideally surprise and delight occasionally, but it should tell you something that you didn't know about the way the world works. And sometimes that takes the form of a scoop, but as we discussed before, a lot of scoops don't actually tell you anything you didn't know, right? Or are interested. I think on most days, most readers care whether something is new to them, whether it's presented in a way that makes sense to them, right?

Liz Hoffman (38m 32s):

Whether they can engage with it and whether they can trust it. And so I think those are the things that I keep top of mind as I sit down to write. Like, I'm not writing for my competitors, I'm not writing for my sources, not writing for my subjects, writing for my readers. And if you're doing it right and the way we've tried to approach it, some of those people are your readers, but you, there's a real naval gazing tendency to say, well, you know, what is, what is so-and-so who works at this competing organization gonna say about this because you know, you just, you, you lose sight of the, of the customer actually. And you know, I think we talked at the beginning of, of this about, you know, just the absolute declining trust in media. Like literally no one likes us or trusts us.

Liz Hoffman (39m 12s):

And I think some of that is fair, some of it isn't, but like most normal companies or industries, when the customer doesn't like the product, they say, well, why don't you like it? Maybe we should change it. And in journalism it's been like, you don't know what's good for you right like, sit here and eat your vegetables and I think there's been a real kind of patronizing attitude towards readers and so it's almost hard to believe that they hate us. So I think we try to talk to our readers, like right on their level, try to be human, try to tell them why something matters and if something doesn't matter, don't spend time on it. People are busy and then look at the end, you have to be right about stuff like trust is built iteratively and I was lucky enough when I worked at the Wall Street Journal to have inherited, you know, at that point inherited 120 years of trust. We had our hundred and 25th anniversary when I was there and that's a real privilege and it's like a, you have to carry it forward. We are starting from a totally blank sheet of paper and so I treat every story, every sentence, every interview, as a way to just put another jellybean in the jar of like why you should give a about what I have to say about anything.

David Greely (40m 18s):

Thanks again to Liz Hoffman, Business and Finance Editor at Semafor. We hope you enjoyed the episode. Join us next week as we continue our series A Smarter Way with guest Robert Dannenberg, Former Chief of Central Eurasia Division CIA. We hope you'll join us.

Announcer (40m 34s):

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Announcer (41m 10s):

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