

How The Sociopath Venture Capitalists of Silicon Valley Prop Up Elon Musk And His Failed Tesla Motors

Small dicked Sandhill Road VC's will do anything to keep Tesla and Elizabeth Holmes from failing even they were failed from the start!

From the start, venture capitalists have presented their profession as an elevated calling. They weren't mere speculators—they were midwives to innovation. The first V.C. firms were designed to make money by identifying and supporting the most brilliant startup ideas, providing the funds and the strategic advice that daring entrepreneurs needed in order to prosper. For decades, such boasts were merited. Genentech, which helped invent synthetic insulin, in the nineteen-seventies, succeeded in large part because of the stewardship of the venture capitalist Tom Perkins, whose company, Kleiner Perkins, made an initial hundred-thousand-dollar investment. Perkins demanded a seat on Genentech's board of directors, and then began spending one afternoon a week in the startup's offices, scrutinizing spending reports and browbeating inexperienced executives. In subsequent years, Kleiner Perkins nurtured such tech startups as Amazon, Google, Sun Microsystems, and Compaq. When Perkins died, in 2016, at the age of eighty-four, an obituary in the *Financial Times* [remembered him](#) as “part of a new movement in finance that saw investors roll up their sleeves and play an active role in management.”

The V.C. industry has grown exponentially since Perkins's heyday, but it has also become increasingly avaricious and cynical. It is now dominated by a few dozen firms, which, collectively, control hundreds of billions of dollars. Most professional V.C.s fit a narrow mold: according to surveys, just under half of them attended either Harvard or Stanford, and eighty per cent are male. Although V.C.s depict themselves as perpetually on the hunt for radical business ideas, they often seem to be hyping the same Silicon Valley trends—and their managerial oversight has dwindled, making their investments look more like trading-floor bets. Steve Blank, an entrepreneur who currently teaches at Stanford's engineering school, said, “I've watched the industry become a money-hungry mob. V.C.s today aren't interested in the public good. They're not interested in anything except optimizing their own profits and chasing the herd, and so they waste billions of dollars that could have gone to innovation that actually helps people.”

This clubby, self-serving approach has made many V.C.s rich. In January, 2020, the National Venture Capital Association hailed a “record decade” of “hyper growth” in which its members had given nearly eight hundred billion dollars to startups, “fueling the economy of tomorrow.” The pandemic has slowed things down, but not much. According to a report by PitchBook, a company that provides data on the industry, five of the top twenty venture-capital firms are currently making more deals than they did last year.

In recent decades, the gambles taken by V.C.s have grown dramatically larger. A million-dollar investment in a thriving young company might yield ten million dollars in profits. A fifty-million-dollar investment in the same startup could deliver half a billion dollars. “Honestly, it stopped making sense

to look at investments that were smaller than thirty or forty million,” a prominent venture capitalist told me. “It’s the same amount of due diligence, the same amount of time going to board meetings, the same amount of work, regardless of how much you invest.”

Critics of the venture-capital industry have observed that, lately, it has given one dubious startup after another gigantic infusions of money. The blood-testing company Theranos received seven hundred million dollars from a number of investors, including Rupert Murdoch and Betsy DeVos, before it was revealed as a fraud; in 2018, its founders were indicted. Juicero, which sold a Wi-Fi-enabled juice press for seven hundred dollars, raised more than a hundred million dollars from such sources as Google’s investment arm, but shut down after only four years. (Consumers posted videos demonstrating that they could press juice just as efficiently with their own hands.) Two years ago, when Wag!, an Uber-like service for dog walking, went looking for seventy-five million dollars in venture capital, its founders—among them, a pair of brothers in their twenties, with little business experience—discovered that investors were interested, as long as Wag! agreed to accept three hundred million dollars. The startup planned to use those funds to expand internationally, but it was too poorly run to flourish. It began shedding its employees after, among other things, the New York City Council accused the firm of losing dogs.

Increasingly, the venture-capital industry has become fixated on creating “unicorns”: startups whose valuations exceed a billion dollars. Some of these companies become lasting successes, but many of them—such as Uber, the data-mining giant Palantir, and the scandal-plagued software firm Zenefits—never seemed to have a realistic plan for turning a profit. A [2018 paper](#) co-written by Martin Kenney, a professor at the University of California, Davis, argued that, thanks to the prodigious bets made by today’s V.C.s, “money-losing firms can continue operating and undercutting incumbents for far longer than previously.” In the traditional capitalist model, the most efficient and capable company succeeds; in the new model, the company with the most funding wins. Such firms are often “destroying economic value”—that is, undermining sound rivals—and creating “disruption without social benefit.”

Many venture capitalists say that they have no choice but to flood startups with cash. In order for a Silicon Valley startup to become a true unicorn, it typically must wipe out its competitors and emerge as the dominant brand. Jeff Housenbold, a managing partner at SoftBank, told me, “Once Uber is founded, within a year you suddenly have three hundred copycats. The only way to protect your company is to get big fast by investing hundreds of millions.” What’s more, V.C.s say, the big venture firms are all looking at the same deals, and trying to persuade the same coveted entrepreneurs to accept their investment dollars. To win, V.C.s must give entrepreneurs what they demand.

Particularly in Silicon Valley, founders often want venture capitalists who promise not to interfere or to ask too many questions. V.C.s have started boasting that they are “founder-friendly” and uninterested in, say, spending an afternoon a week at a company’s offices or second-guessing a young C.E.O. Josh Lerner, a professor at Harvard Business School, told me, “Proclaiming founder loyalty is kind of expected now.” One of the bigger V.C. firms, the Founders Fund, which has more than six billion dollars under management, [declares on its Web site](#) that it “has never removed a single founder” and that, when it finds entrepreneurs with “audacious vision,” “a near-messianic attitude,” and “wild-eyed passion,” it essentially seeks to give them veto-proof authority over the board of directors, so that an entrepreneur need never worry about being reined in, let alone fired.

Whereas venture capitalists like Tom Perkins once prided themselves on installing good governance and closely monitoring companies, V.C.s today are more likely to encourage entrepreneurs' undisciplined eccentricities. Masayoshi Son, the SoftBank venture capitalist who promised WeWork \$4.4 billion after less than twenty minutes, embodies this approach. In 2016, he began raising a hundred-billion-dollar Vision Fund, the largest pool of money ever devoted to venture-capital investment. "Masa decided to deliberately inject cocaine into the bloodstream of these young companies," a former SoftBank senior executive said. "You approach an entrepreneur and say, 'Hey, either take a billion dollars from me *right now*, or I'll give it to your competitor and you'll go out of business.'" This strategy might sound reckless, but it has paid off handsomely for Son. In the mid-nineties, he gave billions of dollars to hundreds of tech firms, including twenty million dollars to a small Chinese online marketplace named Alibaba. When the first Internet bubble burst, in 2001, Son lost almost seventy billion dollars, but Alibaba had enough of a war chest to outlast its competitors, and today it's valued at more than seven hundred billion dollars. SoftBank's stake in the firm is more than a hundred billion dollars—far exceeding all of Son's other losses. "Venture capital has become a lottery," the former SoftBank executive told me. "Masa is not a particularly deep thinker, but he has one strength: he's devoted to buying more lottery tickets than anyone else."

As NextSpace dissolved and WeWork expanded, a perverse dynamic emerged: the more that rumors spread about WeWork's predatory tactics and odd culture, the more that Adam Neumann was courted by venture capitalists. Investors whispered that WeWork's top employees were told to attend weekly sessions with a guru; tales circulated of office tequila parties and recreational drug use among the staff. Sex at the WeWork headquarters was so commonplace, one employee told me, that every day for a week she found a different used condom in a stairwell. Neumann smoked marijuana at the office; someone who worked closely with him told me that, on her first day, Neumann "lights up a joint and starts blowing it in my face, almost like a test." Neumann also spent lavishly on perks for himself, such as a Maybach car and a chauffeur, and a cold-plunge pool and an infrared sauna in his office.

Despite the unprofessional atmosphere at WeWork, its valuation was doubling every year. "Everyone wanted in," a venture capitalist told me. "If you could deliver a piece of WeWork to your partners, they'd never fire you." Neumann lay at the heart of the company's allure. He had moved to New York in 2001, intent, he later said, on "hitting on every girl in the city." Not long afterward, he started a company that sold women's shoes with collapsible heels. When that venture failed, he founded Krawlers, a company that made baby clothes with kneepads. Its tagline: "Just because they don't tell you, doesn't mean they don't hurt."

After that startup also sputtered, Neumann and a partner, Miguel McKelvey, rented an office in Brooklyn, divided it into small spaces, and established themselves as co-working entrepreneurs. When potential funders came to visit, Neumann instructed employees to pretend to be his tenants, socializing enthusiastically in the hallways. "He was crazy, but exactly the *right* kind of crazy to make you believe he could pull this off," another venture capitalist said. "He was the most charismatic pitchman I ever saw."

By 2014, Neumann was fielding so many inquiries from V.C.s that he issued an ultimatum: henceforth, he would work only with investors willing to give him a majority of voting control over the company's board. Bruce Dunlevie, the investor at Benchmark who sat on WeWork's board, had become a mentor to Neumann, and he thought that this unfettered authority was a bad idea. He took it upon himself to get Neumann to abandon his demand. Dunlevie is widely considered to be one of Silicon Valley's intellectuals. Most V.C.s are technocrats in Tesla fleeces obsessed with obscure nutritional supplements; Dunlevie donates to museums, has a history degree from Cambridge, and is known for quoting nineteenth-century English writers. He once helped save an independent bookstore after Amazon had pushed it to the edge of extinction. He described himself to me as being in the "persuasion business," and as someone who succeeds by nudging headstrong founders to make better choices. (To underscore the point, he keeps a textbook of pediatric psychiatry on his desk.) At a board meeting, Dunlevie urged WeWork's other directors to deny Neumann's demand for complete control by quoting Lord Acton: "Power tends to corrupt, and absolute power corrupts absolutely."

Neumann, who attended the meeting, said that he didn't care about Lord Acton. Nobody else on the WeWork board supported Dunlevie's effort. At that moment, Dunlevie could have resigned from WeWork's board of directors, or gone public with his objections. He had taken such stands in the past. In the late nineties, Dunlevie and Benchmark planned on partnering with Toys R Us to create what everyone anticipated would be one of the largest online retailers. Dunlevie had recently helped propel eBay to enormous success, earning Benchmark five billion dollars in profits. Toys R Us asked for guidance in entering the e-commerce sphere, and promised to give Benchmark a free hand to do what was necessary. "Bruce was a total rock star," a Toys R Us executive from that period told me. "He had this incredible vision and *moral* authority. He knew exactly what we needed to do, and was there, every step of the way, pushing to make it happen." It quickly became clear, however, that numerous middle managers at Toys R Us felt threatened by the e-commerce plans and were undermining the effort. Dunlevie, who is six feet four and played quarterback in high school in Texas, called the company's chief executive. "This is bullshit!" he told him. "None of what you represented is true!" As Randall E. Stross reported in a 2000 book about Benchmark, "[eBoys](#)," Dunlevie soon met with his Benchmark partners about Toys R Us and told them that his "every inclination is just to say, 'Let's get the fuck out of here.'" The only thing holding him back, he said, was a sense of obligation to Toys R Us's president. "He's not a bad guy," Dunlevie told his partners. "This poor son of a bitch needs us."