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MBS (00:00):

I'm an accidental entrepreneur. You know, I started Box of Crayons about 20 years ago, because, well, frankly, I'd just been fired from the job I had, and I was slowly coming to realize that I was largely unemployable. Not because I didn't have some skills, I have mad skills, but because I just wasn't good with bosses and hierarchy, and just some of the things that come with working in a big-ish organization, and mostly because I'd been fired.

MBS (00:31):

As well as accidental, I'd say I'm also a barely adequate entrepreneur. I mean, both the companies I've started have had some success. They've made the world a better, which I'm mostly proud of, and employed great people, which I'm definitely proud of, and also made enough money for a good life. I mean, honestly, just keeping a company going for 20 years, that's actually pretty cool,



and that's pretty hard to do. But trust me, I'm not going to be making an appearance on Shark Tank or Dragon's Den anytime soon.

MBS ([01:01](#)):

The truth of it, actually, is I don't think I'm an entrepreneur at all. It's too loaded a word. It's too fancy a word. It sort of implies that I'm trying to create a billion dollar business. But you know, maybe I'm just confused. Just what is an entrepreneur anyway?

MBS ([01:21](#)):

Welcome to 2 Pages with MBS, the podcast where brilliant people read the best two pages from a favorite book, a book that has moved them, a book that has shaped them. I met Seth Levine through Matthew Barson. Now, sharp-eared listeners will know that Matthew was a previous guest, and I'll say again, his new book, *The Power of Giving Away Power*, really is terrific. Seth is a Silicon valley venture capitalist, so right at the heart of being and thinking about entrepreneurship. Now, I'm not sure what image comes to mind for you when you think Silicon Valley VC. I've got a bunch in my head, and I think you're going to find Seth a little different from that. But what's true is that Seth's love of entrepreneurship started young.

Seth ([02:07](#)):

Yeah, it's interesting. I've always had a little bit of an entrepreneurial bent, right? When I was younger, I was that kid who would go off to the candy store and buy the box of gum, and sell it off one piece at a time. I also came up with sort of this SaaS, this software as a service, it was not software, but this SaaS-related idea. Like a lot of kids, I shoveled. I grew up in the Northeast. I shoveled snow to make money. And I came up with this idea that I would sign people up to a subscription plan, and they would pay me a certain amount per month for the three months or so that was winter. And no matter how many times it snowed, I would then go shovel their walk.



MBS ([02:48](#)):

Ah, yeah. I've known people like this. People who come out of the womb thinking through the business model and figuring out how to scale things. People like that always seem to have more than one thing going on.

Seth ([03:00](#)):

I'm a cheerleader, I like to say, for entrepreneurs. And so I work with entrepreneurs or other venture funds really globally. I do a lot in Africa, a couple markets in Africa, and I do a lot in the Middle East as well, which has been super interesting. And then my third job is, I'm also a writer of sorts. I guess I can say that now, because I have a published book.

MBS ([03:20](#)):

The book is called *The New Builders*. It's about people like me, but also not like me.

Seth ([03:26](#)):

More recently, I've written, along with my co-author, Elizabeth MacBride, a book really about the changing nature of entrepreneurship and the future of entrepreneurship. It's a little critical of Silicon Valley, which is sort of an interesting angle to think about, but I felt like I had really a good position to write a book like this, that describes ... It's called *The New Builders*. We describe this next generation of entrepreneurs, who are much more likely to be female, Black, people of color, immigrants, than they were 30, 40 years ago. And really we call out what is something that most people don't recognize going on in the United States, which is this profound decline in entrepreneurship in the US, which is really troubling.



MBS ([04:06](#)):

Part of what I do love about starting my own company, being an entrepreneur, if you like, is the hands-on aspect of it. That's the building aspect of it. I'm stumbling forward. I'm bumping into reality. And Seth had a moment where he faced a choice like this as well.

Seth ([04:23](#)):

There's a very stark moment when I decided to take this path in my life.

MBS ([04:27](#)):

Yeah.

Seth ([04:27](#)):

And that was, I went to college in the Midwest, small liberal arts school. There was some sort of lecture series that was taking place, and this woman who was an academic from Northwestern was coming to speak, and it was a big deal. It was a named lecture series. There was typical pomp and circumstance. Dinner the night before, stuff like that. It was my junior or senior year, and I got invited to the dinner, and went to that. And then I went to the speech, and this is a woman who studied welfare, I guess, and that was kind of her area of expertise. And it was in the chapel on campus. It was packed. There must have been 400 or 500 people in there, standing room only. She gave a very academic speech, and she kept promising that she would have some sort of policy, some policy idea, something at the end.

MBS ([05:18](#)):

"There's a pay-off. Stick with me." Yeah.



Seth ([05:20](#)):

Yeah. Exactly. "Stay with me." So this super pie in the sky, studying from afar kind of thing. And she ended up having some ... It was super lame. It was like, "We need to value something more." And it made no sense. It wasn't actually a policy idea.

MBS ([05:34](#)):

Right.

Seth ([05:34](#)):

And I remember at the time thinking, "Well, that was underwhelming." Three days later, there was another person coming through campus. This was a college campus. She was a woman who was a single mother, had been on welfare. She wrote a book about her experience. And I thought, "Well, this is perfect. We just heard from this academic who studies welfare from afar, and I'm going to go and see this woman who actually lived the life." It happened to be in this exact same chapel, and there were like 15 people there.

MBS ([06:07](#)):

Right.

Seth ([06:08](#)):

One, she was super interesting. It was a profound lecture. But what was ultimately profound for me, and it completely changed my life, was sitting in this room, looking around at these 14 other people that are listening to the woman who actually lived the experience.

MBS ([06:24](#)):

Right.



Seth ([06:25](#)):

And I said to myself, walking out of that chapel, "I want to be in this room. I don't want to be in the room of 500 who want to study it from afar." It was an incredibly ... At that moment in time, I thought I wanted to go and get a PhD in psychology, which was one of my majors.

MBS ([06:43](#)):

Right.

Seth ([06:44](#)):

And it truly-

MBS ([06:45](#)):

Shifted.

Seth ([06:45](#)):

... changed my life. I walked out of there and said that, "I do not want to live that life. I'm going to do something different."

MBS ([06:50](#)):

Let's start with Silicon Valley and venture in general. What has frustrated you about that little ecosystem?

Seth ([06:57](#)):

God, what hasn't, in some respects? I mean, I have a challenged relationship in some respects with sort of my Silicon Valley identity. It's been great for me, right? I've lived a great life, and it's enabled me financially and otherwise to do things that are fantastic. But on the flip side, I feel like Silicon Valley, it kind of sucks a lot of the air out of the room. It's actually one of the things we talk about in The New Builders, is one of the key themes, actually, of The New Builders,



which is this idea of entrepreneurship has been taken over by Silicon Valley. And that's not uncommon for Silicon Valley. They like to co-opt things. We, I should say, like to co-opt things, and sort of pretend like we invented them, and kind of make them our own.

Seth ([07:40](#)):

And 100 years ago, entrepreneur meant really any small business owner, right? Anyone. A cobbler, or a farrier, or a corner shopkeeper. And more recently, really starting in the eighties with Ronald Reagan, the term entrepreneur was sort of overtaken by Silicon Valley to mean a tech entrepreneur, building a tech business. And related to that, really the businesses that we value now in the United States are businesses that have high growth potential. We talk about unicorns in Silicon Valley. And that's fine for my business. That's kind of how the economics of venture work. But if you think about the economy more broadly, it's just not a very good broad-based economic model, right?

MBS ([08:21](#)):

Right.

Seth ([08:21](#)):

It doesn't produce many companies that are successful. The math is stark. 66% of venture investments don't return the capital that was invested in them. The structure of venture works, because there is a couple high flying companies in a fund and they kind of create all the return. But again, from a broad based sort of economy perspective, that doesn't work.

Seth ([08:45](#)):

I like to think about camels, not unicorns, right? One, they're not mythical. So that's helpful, but they're hardier. They're sort of the workhorses of the economy. And these are small businesses, and this is what we've kind of lost in the narrative of Silicon Valley. And I think for me, that's been the most



frustrating thing about the Valley, and there's nothing wrong with a technology business that's growing rapidly.

MBS ([09:06](#)):

Right.

Seth ([09:06](#)):

And in fact, there are many such businesses that are enablers of small business. Think about all the tools that a small business person uses.

MBS ([09:13](#)):

Exactly.

Seth ([09:14](#)):

Think of tools you use in podcasting, right? These are primarily venture-backed companies that have created these sorts of tools. That's amazing. I think that's fantastic. But when we only value those and we don't value the shopkeeper and the mainstream businesses, that's problematic. And that's what motivated Elizabeth and me to write the book.

MBS ([09:35](#)):

Seth, tell us about the book you've chosen to read for us.

Seth ([09:38](#)):

So I'm going to read a couple pages from a book by Carlota Perez. It's called Technological Revolutions and Financial Capital.

MBS ([09:47](#)):

This is funny because you've just gone, "I'm all about the practicality." And it's like, "Okay, here's an economic wonk book that you've picked for us." But tell us why.



Seth ([09:56](#)):

As I was telling that story, that was exactly what was going through my head. I didn't know you were going to ask me about that. And so I was thinking, "Oh my god. Did I choose the wrong book?" But she is fascinating. I hope your listeners will appreciate it. It is a bit of a wonky book on the one hand. On the other hand, it's incredibly practical, right? Unlike the lecture from Northwestern that I had referred to in the prior story.

Seth ([10:20](#)):

So this book was written in 2002. I think that's really important to think about. She describes the world in terms of these large technological revolutions that last sort of 50 to 75 years. Huge shifts in paradigms, if you will. And there have been five that she's identified, from the industrial revolution, the age of steam, the age of steel, electricity, and heavy equipment, oil, automobiles, and mass production. And now the age we're living in, which is information and communications technology. And she sort of describes these phases that these technological revolutions go through.

Seth ([10:59](#)):

One, I just think it's fascinating, to realize sort of the cyclicity of these technological revolutions. But the thing that really caught my interest was, she describes sort of this, as the technology sort of becomes available, she describes it as a big bang moment, but you only notice it in retrospect, right?

MBS ([11:20](#)):

Right. Yeah.



Seth ([11:20](#)):

You don't know it when you're going through it exactly. But she describes this sort of installation period when people are adopting this new technology, and there's this crazy increase in production, and it really changes things.

MBS ([11:32](#)):

Yeah.

Seth ([11:32](#)):

And then this deployment period, which is where the technology gets embedded much more deeply, really sort of across society. In the middle of those two things is something she describes as a turning point. And what really struck me is some of the attributes of the turning point are increasing wealth inequality, right? Increasing the rise of autocratic leaders, increasing sort of general societal sort of issues and challenges, right?

MBS ([12:04](#)):

Yeah. Yeah.

Seth ([12:05](#)):

These are times of great disruption. She wrote this in 2002-

MBS ([12:09](#)):

20 years ago.

Seth ([12:09](#)):

... so she was not talking retrospectively about what we're living through at the moment.

MBS ([12:13](#)):

Yeah. Right.



Seth ([12:14](#)):

But if you sort of map the timing, we are living through the turning point right now.

MBS ([12:18](#)):

Right. And you would expect everything we're seeing, from what you're saying, which is like, we're seeing autocratic leaders, and we're seeing wealth inequality, just as she's predicted in the cycle of history.

Seth ([12:30](#)):

Some books that I read, I read with a pencil, and I mark it up, and I even sometimes have sticky notes and put them on. And I kept underlining sections thinking, "Oh my gosh."

MBS ([12:40](#)):

Wow.

Seth ([12:40](#)):

She is writing, 15, 17 years ago, about today. And of course this also fits into history, right? So in the book, she's describing this turning point in other eras, and describing similar things that were going on. I think that humans have two tendencies that I find fascinating. One is they believe that the time that they're living through is completely unique.

MBS ([13:02](#)):

Exactly.



Seth ([13:03](#)):

Right? And I think the book does a nice job of describing how there are attributes of the time that we're living through that are not dissimilar to times in previous generations.

MBS ([13:13](#)):

Right.

Seth ([13:13](#)):

And then the other thing is that humans tend to believe that whatever's happening now is how things will continue to be.

MBS ([13:20](#)):

Right. A culmination.

Seth ([13:21](#)):

When in fact, we kind of live the opposite way. We actually pendulum back and forth. I didn't choose to read from it. There's a great book that has some similar, similar ideas called *The Fourth Turning*.

MBS ([13:31](#)):

Right.

Seth ([13:32](#)):

Was written even before this book, and they describe this pendulum back and forth. And so we think that the next generation is going to take on our attributes because we're parenting them, et cetera. But actually that generations tend to go back and forth, if you think about it, in terms of-

MBS ([13:48](#)):

That's interesting.



Seth ([13:48](#)):

... the attributes that they hold dear, because they tend to mirror or reflect the generation that came before them, not mimic it.

MBS ([13:58](#)):

Yeah. That's interesting. I mean, there's that famous quote, of course. "Those who don't understand history are doomed to repeat it," which I then saw altered saying, "Those who do understand history are doomed to repeat it, but with irony." You're like, "Okay." Seth, this sounds like it's going to be interesting. I'm mean, I love the subtitle of this book, which is, "The dynamics of bubbles and golden ages." Which is actually, if you were making this a pop culture book, you'd lead with that title, and then you'd swap the title and subtitle around.

Seth ([14:28](#)):

Exactly.

MBS ([14:28](#)):

Why don't you take us to the two pages? Was there a particular reason you chose these two pages?

Seth ([14:34](#)):

The two pages that I'm going to read relate to different types of capital, and capital's role in our economy. And of course it spoke to me for a couple reasons. One is that I'm a capitalist, right? Literally by job title. And so I think about obviously the relationship between capital and production all the time, because that's what I spend my time doing. But it also relates to *The New Builders*, and the book that I wrote. And in particular, there's a line that I'll get to about halfway in where she describes production capital in the language of builders. I had not read this before we wrote the book.



MBS ([15:09](#)):

Yeah.

Seth ([15:10](#)):

I mean, I actually, as I was reading this, I circled and starred that one sentence, because I said, "Oh."

MBS ([15:15](#)):

Right. You put down the pencil and got up a pen and underlined it in ink. You're like, [crosstalk 00:15:19].

Seth ([15:19](#)):

Yeah. Like, "Oh, wow. She's describing New Builders." And I loved it for that. And I just thought it was a great encapsulation of a lot of the concepts that we tried to get through in *The New Builders*, in a much ... I should say, and I should be very clear, I wish she wrote this book in a more accessible fashion. This is not a very wonky section, and it's still super wonky. And so I would say to your listeners, if they have an interest in this, it was worth going through. It's not a long read. It was worth parsing through it. But anyway, that's a little bit of the context here.

MBS ([15:53](#)):

Well, you've set us up beautifully for it, and I'm glad you've introduced it to us all. Let's hear it, then. The two pages. *Technological Revolutions and Financial Capital* by Carlota Perez, read by Seth Levin. Over to you, Seth.

Seth ([16:09](#)):

Financial capital and production capital. The time has come to make explicit the definitions of finance and production capital, which have been implicit in the previous discussion. Neither refers to the actual capital, but rather to the agents



and their purposes. In both cases, the term capital is used here to embody the motives and criteria that leads certain people to perform, or hire others to perform, a particular function in the process of wealth creation within the capitalist system.

Seth ([16:37](#)):

Thus financial capital represents the criteria and behavior of those agents who possess wealth in the form of money or other paper assets. In that condition, they will perform those actions that in their understanding are most likely to increase that wealth. They may have interest, dividends, or capital gains, but in the end, by whatever means, their purpose remains tied to having wealth in the form of money and making it grow. To achieve this purpose, they use the services of banks, brokers, and other intermediaries who provide information, perform the contracts, and in general, embody the drive to make paper wealth grow. It is the behavior of these intermediaries, while fulfilling the function of making money from money, that can be observed and analyzed as the behavior of financial capital. In essence, financial capital serves as the agent for relocating and redistributing wealth.

Seth ([17:26](#)):

By contrast, the term production capital embodies the motives and behaviors of those agents who generate new wealth by producing goods or performing services. By analytical definition, these agents do this with borrowed money from financial capital, and then share the generated wealth. If they're using their own money, they are performing both functions. Their purpose as production capital is to produce in order to be able to produce more. They are essentially builders. Their objective is to accumulate greater and greater profit making capacity, by growing through investment in innovation and expansion. Their power stems from the power of the specific firm, and their personal wealth will depend on the success of their actions as producers.



Seth ([18:07](#)):

The object here is to clearly distinguish between the actual process of wealth creation, and the enabling mechanism, such as finance, which influence its possibility and shape the ultimate distribution of its results. This functional distinction is essential to the nature of the capitalist system. Financial capital is mobile by nature, while production capital is basically tied to concrete products, both by installed equipment with specific operational capabilities, and by linkages in networks of suppliers, customers, or distributors in particular geographic locations. Financial capital can successfully invest in a firm or a project without much knowledge of what it does or how it does it. Its main question is potential profitability, sometimes even just the perception others may have about it.

Seth ([18:52](#)):

For production capital, knowledge about the product, process, and markets is the very foundation of potential success. The knowledge can be scientific, in technical expertise or managerial expertise. It can be innovative, talent or entrepreneurial drive, but it will always be about specific areas and only partially mobile. Both financial capital and production capital face risks that vary with circumstances, from grave to minimal. Yet while financial capital can choose widely how to invest its money, avoiding or withdrawing from risks which it deems too high for the likely returns, most agents of production capital are in path-dependent situations and must find alternative actions within a limited range, often needing to lower financial capital or face failure.

Seth ([19:35](#)):

As far as truly new ventures are concerned, innovators have brilliant ideas for which they are willing to take huge risks, devoting their whole lives to bringing their projects to reality. But if finance is not forthcoming, they can do nothing. All these distinctions lead to a fundamental difference in the level of



commitment. Financial capital is footloose by nature. Production capital has roots in an area of competence, and even in a geographic region. Financial capital will flee danger. Production capital has to face every storm by holding fast, ducking down, or innovating its way forward or sideways. Yet through the notion of progress and innovation that's associated with production capital, and rightly so, ironically, when it comes to radical change, incumbent production capital can become quite conservative. And then it's the role of financial capital to enable the rise of the new entrepreneurs.

MBS ([20:27](#)):

Wow. I can see why that resonated in the shadow of your book, *The New Founders*. What's the truth here, Seth, that you want us kind of non-capitalist, non-financial people to understand?

Seth ([20:41](#)):

Yeah. I think what spoke to me most about this section is that it's back to that room, right? It's the doers that are really creating the innovation, and it's the people with finance that are enablers of that, right?

MBS ([20:53](#)):

Right.

Seth ([20:53](#)):

So I'm an enabler of that process, but, and this spoke to me in part because of some of the trends we talked about in my book, we're not doing a great job of connecting finance, financial capital is probably how I would describe it, with production capital right now, right? There's this gulf between the new builders, the people that are actually building new businesses, and the systems of finance and mentorship, I should also add, that support them. And I think if there's one main call to action in the book that we wrote, it is we need to find better, more, and innovative ways to finance new builder businesses.



Seth ([21:35](#)):

And this really spoke to why that's so important, because financial capital is sort of moving chips around, right? Production capital is creating new forms of wealth and new pathways for individuals in communities. And she describes in there how production capital ends up being tied to place. I think she, in some respects, is thinking of that as a bug, not a feature.

MBS ([21:57](#)):

Right.

Seth ([21:58](#)):

And it certainly creates more challenges, but I think in our worldview, and certainly what we wrote about in *The New Builders*, it's actually a feature, this idea that people that are building businesses, these new builders that are building businesses, are doing so in a specific geographic location, with a very deep tied place. And I think one only need walk down a main street and think about the ... Hopefully there's still a few older, longer shops that have been there for a while, and think about the tie that that shop has to community, and why that's so important. And frankly, pass by the whatever chain store happens to be, or many chain stores happen to be on your main street, and think about how light those ties are to your community, and to realize why new builder businesses are so important, why production capital is so important.

MBS ([22:46](#)):

Is there any danger here that you're kind of doing a bit of a Gary McGuire? Kind of going, "I've seen the light, and here's a whole different way to be thinking about this"? And the other people in your industry are going, "All right. Seth's gone a bit nuts. We'll let him do his thing over there, and hopefully it won't kind of reach over to us, because we've got our focus on what really matters and how we're going to make our money."



Seth ([23:04](#)):

Absolutely. And maybe I'm a hypocrite too, right? Because I still help run a \$3 billion venture fund.

MBS ([23:10](#)):

Right. Right.

Seth ([23:11](#)):

I think that the mistake would be to conclude, after reading the book, that I don't think venture is a good model, right?

MBS ([23:18](#)):

Right. Right.

Seth ([23:18](#)):

Venture is great.

MBS ([23:19](#)):

Yeah.

Seth ([23:20](#)):

I think that for a certain segment of our economy-

MBS ([23:23](#)):

That's interesting.

Seth ([23:24](#)):

... particularly as it relates to the technology economy, I don't want to call it the innovation economy, because I think that that's a misnomer, not because Silicon Valley or Silicon Valley style businesses aren't innovative, but because



there's lots of innovation going on in other businesses that I think get excluded from that term.

MBS ([23:40](#)):

That's right. Yeah.

Seth ([23:42](#)):

But the truth is, only about 1% of businesses take money from venture capitalists. It's a lot of money. It's super important. As we talked about earlier, they're enablers. The technology that they create enable other types of businesses. I'm really speaking to that 99%, and more specifically, only about 17% of businesses take money from banks.

MBS ([24:00](#)):

Right.

Seth ([24:00](#)):

So there's this huge 82% of businesses in the United States that don't take any formal capital, either from venture capitalists, private equity, or from banks.

MBS ([24:11](#)):

Right.

Seth ([24:11](#)):

And that's the gap that I think we need to address. And I've been spending a lot of time thinking about new financial models that might go after those sorts of businesses, and some of the challenges that those businesses face in just getting off the ground. And I do believe that there are scale models to do that, but that really describes the challenge, right? And when you marry that with the lack of wealth in communities that are now the fastest growing communities of entrepreneurs, the average Black family in the United States has one-tenth the



wealth of the average white family. The average Hispanic family has one-seventh the wealth of the average white family. That family wealth is what's funding that, right?

MBS ([24:48](#)):

Right.

Seth ([24:48](#)):

That's where the 82% comes from. It comes from your aunt, uncle, friends, or it comes from home equity. And that, I think, is in a large part why entrepreneurship has been declining so profoundly in the United States. There are lots of people who have great business ideas that don't have the capital to start their businesses. Interestingly, we've seen through COVID and some of the governmental support programs, an uptick in entrepreneurship.

MBS ([25:13](#)):

Right. Because of a freeing up of capital.

Seth ([25:16](#)):

Yeah. I think it's a silver lining potentially to COVID. Now, some of that I think is people starting businesses out of necessity, right? But I think some of that is also people taking, in this grand scheme of things, relatively small amounts of money that came to them from these government stimulus programs, and turning around and using that to start a business.

Seth ([25:35](#)):

So now imagine if instead of \$1,000 checks, we could deliver larger checks to people that really have those great ideas to start a business. What we've done is we're trying to drink by opening our mouths in a rainstorm a little bit, right? You can get some water that way, but you're also wasting a lot. What if we just found the right hose and directed that water to the right place?



MBS ([26:01](#)):

So Seth, what do you see that it takes to be a new founder? What myths would you like to put aside going, "You actually don't need this, but you do need that"? Is there a kind of mentorship map that you could point to, going, "These are possibly the characteristics of what makes for a new founder"?

Seth ([26:23](#)):

Yeah. Well, I will say that passion and purpose, I think, is what's ultimately most important, right? I think that people ... And this is one of the things I really appreciate about *The New Builders*. We talk about this a bit in the book, is new builders don't start businesses based on sort of classroom experiments.

MBS ([26:40](#)):

Right.

Seth ([26:40](#)):

There's no whiteboard involved, right? They're not sort of theorizing about potential large markets. They see a problem that resonates with them personally, for whatever reason, and they decide they want to build a business out of that passion that they have. And so I think that that's what ultimately drives new builders.

MBS ([26:59](#)):

Right.

Seth ([26:59](#)):

Now, I do think that in particular, there is this myth that Silicon Valley likes to perpetuate of sort of the sole founder, maybe even a dropout from an Ivy League school, right?



MBS ([27:11](#)):

Yeah. They love those. Definitely.

Seth ([27:12](#)):

They're all young, white, male, hoodie wearing.

MBS ([27:16](#)):

There you go.

Seth ([27:17](#)):

And I think that that myth has some danger. For starters, no one really starts a business alone. And even some of the great entrepreneurs that we think about as sort of superstar entrepreneurs, you can go all the way back to Rockefeller or Carnegie, but also even more recently, Zuckerberg, or Steve Jobs, or Bill Gates, they all had partners, right?

MBS ([27:38](#)):

Right.

Seth ([27:38](#)):

They had other people that were very integral in starting their business, not to mention mentors and other people around them. And I think that that myth causes people to believe that they need to do it themselves. And one of the things that we call for in the book is a better support network for new builders. More people mentoring.

Seth ([27:56](#)):

And in fact, for people listening to this podcast and reading the book, one of the things that they can do to actually be helpful, in addition to finding ways, and we talk about some of them, to fund these businesses, is to just lend a hand



with some of their knowledge and expertise through a local chamber, through organizations like Entrepreneurship For All that work with these sorts of builder businesses, because that's something that is really needed, and really all the successful programs for funding new builder style businesses pair that funding what they call technical assistance in that world, which is basically mentorship.

Seth ([28:31](#)):

And that's so important. And that is one thing Silicon Valley has ... They didn't invent the apprenticeship system, but they did kind of perfect this mentor idea. And I think that that's something that, it's funny, because Silicon Valley celebrates the solo entrepreneur and the lone founder. But on the flip side, they also talk about these inter-networks.

MBS ([28:52](#)):

Seth, you're speaking a lot to the power of the intermingling of purpose and also profit. I mean, you have to have a profit to be a successful builder, a successful entrepreneur. You're rooting it in purpose. How do you find a way for those two to dance together? Because it's so easy for one to become the dominant force and kind of pull something off track, or it becomes all about the money, or you become a kind of impoverished artist, so to speak, trying to follow the purpose. How do you help people and think about yourself to find the balance between those two key forces?

Seth ([29:30](#)):

I really feel like we're watching the pendulum swing back to this balance of purpose and profit, right? If you go back to 50, 60 years ago, there was more of that balance, and then Milton Friedman came out and said, "The only purpose of a corporation is to maximize profits." Right?

MBS ([29:50](#)):

Right.



Seth ([29:50](#)):

And the so-called Chicago School, because he was from the University of Chicago, the Chicago School of thinking. And that persisted for 50 years. And it's only been recently, think about The Business Roundtable and others, who have come out and started to say, "Hey, actually, there needs to be a balance between maximizing profit, but also thinking about other stakeholders." And so Jamie Diamond has been very vocal about this, but a number of other ... There were several hundred signatories to the Business Roundtable letter that described sort of this shift away from the Friedman school of thinking around profits.

Seth ([30:25](#)):

And so I do feel like the world is shifting in that direction, which I think is positive. I also think that millennials, if you will, but sort of this generation that is now a decade into the workforce, starting to get more into managerial positions, starting to start more businesses, that seems to be more a part of their ethos, is sort of that balance. But there are wonderful examples, even in the tech world, of companies that have found that balance. I'm thinking about Etsy or Kickstarter, for example. Who really exist not just to maximize profit, but also to maximize purpose. And so I think that that's true. That's becoming more and more true, and I fundamentally don't believe these things need to work in opposition of each other. I actually think that they can support each other.

MBS ([31:17](#)):

Right. Do you have that conversation or can you have that conversation as a venture capitalist? Because surely the key metric around being a venture capitalist is, "What's our return going to be on this?" Just as you said at the start, 66% of investments don't pay out at all. There's probably some that kind of cover their costs, and then you've got that kind of, I don't know what it is,



maybe 10% that are the big breakthroughs and that fund the rest of the system, and fund that.

Seth ([31:45](#)):

Yeah.

MBS ([31:45](#)):

With that financial imperative, are you able to have conversations around purpose? Or is it more along the lines, "If you can slip some purpose in there, that would be awesome, but really we're hoping you're going to do a 10X thing for us"?

Seth ([31:57](#)):

Yeah. If you believe that purpose helps drive profit, then there isn't tension. You're absolutely right. Our LPs, our investors, our limited partners, our investors, they measure our success based on return on capital, right? IRR.

MBS ([32:12](#)):

Right.

Seth ([32:12](#)):

Internal return rate. And so that's the metrics, and that's what we need to drive. But with individual portfolio companies, at least our experience has been that purpose and profit blend together. I'm thinking about, I just was at the NASDAQ a couple weeks ago, one of my companies went public, a business called Xometry, and they exist to do the thing that they're ... They're a marketplace for machine shops to make parts for companies that need machine parts. But they also have purpose around the CEO and the co-founder are adamant environmentalists, and they care a lot about the environment. And so they've built into their business systems for offsetting the carbon footprint for people



that are buying on their platform, and other things that were driven by purpose, but ultimately were additive to the business.

Seth ([33:02](#)):

And by the way, I'd add on top of that that they helped create a culture around a handful of things they care about. In fact, when they went public, they started a foundation that was the Xometry Foundation, that's going to invest in those areas that the company has always sort of rallied around as its broader purpose. And I think that that's increased employee retention, employee satisfaction, and I think ultimately led to a more successful business. Just as one example. And there are others, of course, in the portfolio.

MBS ([33:31](#)):

I realize I'd asked you the question before around, "What are the myths," if you like, "of being a founder that you'd like to put aside?" And you talked about the solo one, which is like, "I created this by myself and I'm the hero founder," and you talked about the power of relationships and co-founders, and that ecosystem around them. What else? What else would you like to alter or adjust in terms of the understanding of what it takes to be a founder?

Seth ([34:01](#)):

Yeah. I mean, I think the largest misperception, in addition to the ones you just described, kind of goes all the way back to this question of the term "entrepreneur," and how it's been taken over by Silicon Valley and by technology entrepreneurship. And the value of small business, whether they decide they want to open other locations or stay small, is great, right? And the truth is, in our economy, 40% of GDP is driven by small businesses. About 50% of employment, driven by small businesses. Almost despite ourselves, right?

MBS ([34:38](#)):

Yeah.



Seth ([34:38](#)):

From a policy level, we don't do a very good job of supporting small businesses. They just don't have a voice.

MBS ([34:45](#)):

Yeah.

Seth ([34:46](#)):

Despite that, they're incredibly important and have ultimately been a very successful part of our economy. I think most people don't recognize that. They don't realize that they don't walk into that corner store and think about the way in which that corner store contributes to their local economy and the broader economy, or for that matter, as they are shopping around, and there's someone behind the counter, considering that that person may be the owner of that store. They likely, if they're the owner, they're also the chief merchandiser. They're probably the bookkeeper. They have multiple hats, right?

MBS ([35:19](#)):

Yeah. Yeah.

Seth ([35:19](#)):

It's not like when you close up the store because the doors close at 7:00 PM, that their job is done. They still have more to do. And I think that that has certainly opened my eyes. Doing this research, spending more time with new builders in the book, we highlight a number of new builders. We go deep into their back stories. And I find myself thinking about that when I walk into stores these days, and maybe the person working behind the counter, someone that that owner hired, but maybe it's the owner. And I've gotten into some great conversations where I've asked that question. "Hey, is this your store?" And had a wonderful discussion about, "Why did you start this?"



MBS ([35:52](#)):

Right.

Seth ([35:52](#)):

And, "Where did the idea come? And where does this really interesting thing come from? Why'd you choose that?" And they love having those conversations, I think, because it makes them feel appreciated and recognized for this work that they do.

MBS ([36:05](#)):

I heard a podcast other day that made the point that, it's an American-based podcast, and it said, "Look, the US land mass, including Alaska and Hawaii, makes up 2% of the Earth's surface," and it feels like it has a bigger weighting than that. And I feel like you're pointing in a similar way to the unicorns that we've all heard of. They're metaphorically 2% of the Earth's surface, and there's all of the rest of it that you're pointing to.

Seth ([36:33](#)):

Yeah.

MBS ([36:34](#)):

Seth, what have you learned about what takes to be a good ally? Because you're a rich, white male, maybe straight. I'm not sure. But you tick a lot of the kind of the actual privilege and the kind of classic profile of the people who succeed in Silicon Valley. You're a champion for this new builder, women, people of color, people who are not necessarily native English speakers, or first language English speakers, and I tick similar boxes to you. I'm trying to figure out how to be a good ally, and I'm wondering if there's anything that you've learned in the writing of this book and the kind of connecting to this new world.



Seth ([37:14](#)):

Yeah. Let me mention a couple things. So that's a great, great question. I appreciate you're asking it. The first is I have been very, very deliberate over the past handful of years now about trying to extend my own network. Being in rooms as much as possible where I'm looking for the connections I already have, right?

MBS ([37:36](#)):

Yeah.

Seth ([37:36](#)):

I mean, we're such a network society, and Silicon Valley sort of thrives on network, and, "Who do you know?" And, "How can you help companies you work with via your network?" But I realized that our networks are relatively insular, right? We all kind of know the same people in Silicon Valley, and so I've spent a lot of time being very deliberate about, "How do I extend that network?" Specifically to people of color, to more women. So I've been very ... I will seek people out. Either cold email them, or if I have a chance to meet them, or I hear them on a panel, or I join them on a panel or something like that, I'm very deliberately trying to reach out to those people that maybe have different backgrounds than I do.

Seth ([38:19](#)):

And this day, it's not weird to just jump on a Zoom call, right?

MBS ([38:24](#)):

Right.



Seth ([38:24](#)):

And so I think Zoom has really freed me up for that. And I try to have far more meetings every week with new people who are extending my network, right? Or deepening relationships with those people that don't look like me.

MBS ([38:36](#)):

That's interesting. Yeah.

Seth ([38:37](#)):

So I do that a lot. I think a lot of people in power don't think about their ability to affect other people by just simply extending that network, and oftentimes I will introduce them to someone else because it's obvious that they could use this introduction or that introduction. And that way I'm leveraging my networks, not just, "We're meeting on Zoom. Hey, thanks. Good to meet you."

MBS ([38:58](#)):

Yeah. Yeah.

Seth ([38:58](#)):

It's deeper relationships. I take detailed notes. I save the notes, I flag people for followup, and I'm trying to build that network. So that's thing number one. I think everyone can do that. Just start, right? And then I ask those people, "Hey, who else should I meet with?" And I say, "I am trying to meet more founders of color, or people of color that are working in business. Is there anyone else that you think I should meet? Please introduce me." So I've met a ton of people. I mean, hundreds of people that way.

Seth ([39:23](#)):

So I've done that, and then the other thing is just opening my wallet a little bit, right? I have limits to what I can invest in just because of the way our venture



fund works, and we're SEC regulated and some other things like that, but I've tried to put my money where my mouth is and invest. Some of that's been through Foundry, because we've leaned in heavily to particularly funds that are led by women and people of color. So we've done a lot of investing there. That's tens of millions of dollars that we've invested in that, but also my wife and I have been doing that individually, again, to the extent to which we're able to, with the fund rules we have, but to invest in funds or businesses that are led by people of color, because we want to be helpful. And I think one of the things that I've tried to do is do due diligence, but be trusting, right?

MBS ([40:13](#)):

Right.

Seth ([40:13](#)):

And one of the things that really struck me when we wrote the book, we were interviewing Kathryn Finney. She's a longtime entrepreneur, and she started this support network called digitaludivided. And she basically said, "Look, the US has a multi-hundred year history of not trusting people of color with money, and that trust actually is meaningful."

MBS ([40:34](#)):

Right. That's a powerful insight. Yeah.

Seth ([40:35](#)):

Yeah. So I try not to go crazy on huge amounts of due diligence. And obviously I want to do some reference checking and things like that, but I'm trying to be a little bit liberal, if you will, in terms of where we invest. And I think that that's also something that, to the extent to which people have means, that they can do. But by the way, there are platforms like Mainvest or others where you can invest \$100 bucks or \$1,000 as part of a bigger conglomerate in a business, Main Street business. And so that's accessible not just in \$20,000 and



\$50,000 and \$100,000 increments. It's accessible in much smaller increments as well.

MBS ([41:11](#)):

Seth, I very much enjoyed the conversation. Thank you. As a final question, a final broad question, is there anything that needs to be said that hasn't yet been said between us in this conversation?

Seth ([41:21](#)):

I think that what I would leave you with is what The New Builders left me and what they left Elizabeth with, which is a sense of optimism. I think that there is ... It occurred to me as we were writing this that we're talking about the decline in entrepreneurship, and all these challenges we have with getting capital to the right people, and just sort of the systemic racism, all these things that are challenging. But I think by the end, I had sort of, I want to say, come full circle, but I had come to realize that these aren't insurmountable obstacles.

MBS ([41:52](#)):

Right.

Seth ([41:53](#)):

That there is a bright and optimistic future. And frankly, a lot of that optimism stemmed from the new builders themselves. They were incredibly optimistic folks, and they left us, even though we essentially wrote the book during COVID, and so we checked back in with them, and a lot of them had really struggled through COVID.

MBS ([42:09](#)):

Yeah. Yeah.



Seth ([42:10](#)):

They'd shut their businesses down, and had to furlough employees. But now they're opening back up and they are very, very optimistic about the future.

MBS ([42:18](#)):

Nice.

Seth ([42:18](#)):

And that optimism was contagious. And I think that's what I would leave you with, is that feeling of hope and promise,

MBS ([42:30](#)):

As you'll start hearing with increased frequency, I've got a new book coming out in January, 2022: *How to Begin: Start Doing Something That Matters*. Probably can see the connection to this conversation right away. Julie Lythcott-Haims, who was a previous guest on the show, calls it, and here's her quote, "Piercingly frank, funny, gorgeous, vulnerable, and ultimately really damn helpful," which is a pretty fantastic blurb. So thank you, Julie, for that.

MBS ([42:59](#)):

The final section of the book, the final section of three, is about crossing the threshold, taking action, moving forward. And one of the chapters in that final section is about making sure you have the right people with you. Most anything worth doing is hard to do by yourself, and I think that's what I'm most aware of now, having gone through this conversation with Seth. To move forward, I need to be doing two things. I need to find allies. I need to find the people I need to support my own ambitions for myself and for the world. And I also need to be an ally. Find the people to whom I can offer resource, and curiosity, and encouragement.



MBS ([43:41](#)):

If you want to know more about Seth and his book, check out the website, thenewbuilders.com. It is a great way of kind of unlocking insight as to what it takes to start a business, to be in control of your own destiny like that, if you don't perhaps tick some of the more obvious boxes about the way it's normally done in [inaudible 00:44:01]. And if you enjoyed this conversation with Seth, well, I've got a couple of other interviews to recommend to you. First of all, Matthew Barzun, of course. It was through his introduction that I met Seth, so we should talk about his episode, which is called *What to Do With Power*. I loved my conversation with Matthew. And then the other person I want to recommend is Caroline Heldman. Her episode is called *What it Takes to Be an Activist*. This is a woman who really understands the two rooms that Seth was talking about, the room of theory and the room of practice, and she's really found a way to be deeply present in both rooms.

MBS ([44:37](#)):

Thank you so much for listening to the podcast. I appreciate you being here. I appreciate your presence. I appreciate your encouragement. Thank you to all of you who have left reviews. Thank you to everybody who's passed an episode on and said to somebody, "Hey, you should listen to this interview or this podcast." Word of mouth is my favorite way to grow the podcast, for sure. If you'd like to join a small, and elite, and gorgeous looking band of really smart people, the free membership site Duke Humfrey's gives you access to transcripts and to all the past episodes, including some I haven't released. So you're welcome to sign up there. It's at mbs.works, and just look for the podcast tab. And I'll finish by just saying thank you. You're awesome, and you're doing great.