



## News

### Is Sam Altman the Antithesis of Jack Ma?

The comparison between China's profit-driven pragmatism and OpenAI's pursuit of AI dominance

28 Nov 2023

*(These opinions are expressed by the author in a personal capacity; they contain a kernel of truth marinated with some satire and garnished with a dose of cynicism.)*

OpenAI was founded in 2015 as a “non-profit intelligence research company.” From the [initial blog post](#) (interspersed with a 100-year-old organisations’ founding principles).

*~~OpenAI (Communist Party of China – CCP) is a non-profit (Marxist-Leninist) artificial intelligence research company (Orwellian State). Our goal is to advance digital-intelligence (primacy of power) in the way that is most likely to benefit humanity (The Party) as a whole, unconstrained by a need to generate financial-return (empathy). Since our research (governance) is free from financial obligations (any dissent) we can better focus on a positive human-impact (complete control). We believe AI (the CCP) should be an extension of individual human-wills (everyone’s thoughts) and, in the spirit of liberty (tyranny), as broadly (narrowly) and evenly (tightly) distributed (controlled) as possible. The outcome of this venture is uncertain (destined) and the work is difficult (intrusive), but we believe the goal and the structure are right. We hope this is what matters most to the best-in-the-field (Party Elite).<sup>1</sup>~~*

#### Control freaks

Do you remember China’s regulatory crackdown in 2021? Ant Financials’ red-hot IPO was summarily cancelled, and Jack Ma, the founder of Alibaba, was defenestrated; that stock is down 15% from its IPO price in November 2014 despite growing sales by 16x and profits by 8x.

Xi Jinping, who came to power in 2013, has ingrained beliefs that the Western world is corrupt. The CCP alone possesses the rectitude to understand the right way ahead, first for the Chinese people and then for the world. This means a new world order, away from profits, capitalism, and democracy. I think it’s a plain pursuit of power.

Isn’t it fascinating that OpenAI was formed with similar intentions of saving humanity? Yet they never considered that doing good for humanity needs billions of dollars in investment and engineering talent – not all of whom are in it just to do good.

OpenAI's Board members (converts to the 'Effective Altruism' ideology) fired CEO Sam Altman. They fear AI technology poses an existential threat to humanity. Only a non-profit, highly regulated and collectivist approach by people who know what is good for humanity - can safely develop the technology. Incidentally, the effective altruistic community spawned convicted idealists like Sam Bankman-Fried too.

## **Schumpeterianism**

There are parallels between Chinese and American ideologies. Ostensibly, they are diametrically opposite, but on business, there is little difference between the two. The CCP is in control, dictating the direction of business and picking the winners; however, unbridled capitalism still prevails in China.

Oriental Education (EDU), listed in the US, is an 'after-school tutoring' business. In July 2021, regulations kneecapped the for-profit, after-school education sector, with restrictions on the types of subjects offered, limits on hours and days of operation, and bans on foreign investment in the sector. EDU's stock was trading around US\$65 when this announcement came and it crashed to a low of US\$10. In November 2023, the stock is at US\$70.<sup>2</sup> Management made drastic changes, pivoting to non-academic tutoring (sports, arts and STEM) and growing profits since.

In the EV industry, hundreds of start-ups nurtured by provincial governments. After bruising competition, a handful, led by BYD now dominates not just China but possibly Europe (where policymakers are trying to protect the European car industry from competition).

Fast fashion retailers from China, like Shein and Temu, are innovators disrupting some of the best companies in the world. Meanwhile, Western consumers are willing to buy cheap disposable fashion, ultimately destined for landfills.

## **Diamonds in the rough**

Forcing businesses to adhere to what is good for humanity or the dictates of the CCP is not guaranteed success. Rapid technological changes drive people, companies, and nations to act for their own benefit. When Russia invaded Ukraine and energy prices rose, even Europe suspended its bans on coal usage and bought LNG cargoes contracted to poor countries like Pakistan at exorbitant spot prices. In a crisis, mandates to change behaviour fail. In reality, life is driven by power, profits, and capitalism.

Top holdings in our strategy include Chinese gaming giant Netease, which has survived a regulatory crackdown on games and is now swimming in cash. Tencent Music has transformed and prospered despite restrictions on the live-streaming parts of its business. Despite the CCP's ideology, the Chinese economy still has pockets of capitalism driven by new technologies and new ways of doing business.

## **What about AI?**

A fissure divides those who believe that Artificial General Intelligence will harm us as a species and others who proclaim AGI will help solve humanity's problems.

Whoever is right, we are on a path of accelerating AI progress. In my limited understanding, AGI is such a powerful technology that if one participant pauses, another will step into the void and run away with advancements.

The effective altruistic community behaved like a benign version of the CCP. They fired Sam Altman but discovered most employees agitated to get him reinstated. Microsoft and others were keen to poach that talent to start something new if OpenAI's Board did not relent.

Sam is back as CEO, Bret Taylor and Larry Summers, both dyed in the wool capitalist, are on the new board as the effective altruist stepped down. In the US, power resides with the capitalists. Meanwhile in China, the CCP amasses more power, but they can't fully eradicate capitalism. Jack failed, but Sam did

not.

The lesson for stock investors? When faced with a crisis around regulation that could tame capitalism, dig below the surface and find those companies and management teams who could survive and transform through the crisis. Therein lies the investment opportunity.

Source:

<sup>1</sup><https://openai.com/blog/introducing-openai>

<sup>2</sup>[JOHCM/Bloomberg](https://www.johcm.com/Bloomberg)

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