

Adam Blum's notes from Charlie Munger's Q&A at Daily Journal 2020 annual meeting



The 2020 Daily Journal Corporation annual meeting is in the books. At today's meeting, board chairman Charlie Munger introduced the board and other key management of Daily Journal and spoke for a few minutes about the company. He then took questions from the audience. At age 96, Charlie is quite remarkable. He's full of knowledge on all topics and has a great attitude. And he mixed humor into several answers. I took notes on my phone, so please excuse any errors.

-Adam
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Intro

“The meeting should now come to order. I'll give you some time to sit down. Welcome to the Catholic cathedral. This is the most amazing place. Some of you who haven't ever seen it should go look at it from the inside. It looks like hell from outside, but from inside it's a startlingly good architectural work. And it's quite interesting. Our director, Peter Kaufman, is on the committee that runs the cathedral, and if you want to be buried in the same column with the ashes of Gregory Peck, he'll arrange it for \$100,000. This is a very commercial crowd. You can't even die without paying.”

“Ok, I have a script I'm gonna go through.”

“Having fired two previous accountants, we really love these new ones. Whoever is auditing Boeing this year is earning his money. Can you imagine how hard that is to do?”

“If anyone has a proxy you haven't delivered, ignore it, because we've got enough votes.”

“The number of shares voting in favor of directors is rather interesting. I do not lead the list, and the single most useful person in the place, [Daily Journal CEO Gerry] Salzman, has the lowest number of votes. But I'm fighting to do as well as he does.”

“It's rather interesting, some previous occasion PwC had fired someone, and so someone came to the meeting and had a long diatribe against them, our auditor. It was very humorous. Annual meetings are very peculiar in America.”

“Of course we now have the chief shareholder of every big company in America is some index fund. It's weird that the voting power of America goes to a bunch of index fund operators. Nobody planned it, it just happened, and God knows what the consequences will be.”

“I don't need to go into exact numbers, who cares? Next we will pass a motion to allow a majority vote to elect our directors. The State of California told us to, so we are. This is passing all over America, God knows what it does. Not much I think.”

“If there ever is anyone who earns his pay around here, it's Gerry [Salzman].”

“Oh yes, we now need a motion to adjourn and go on to the questioning. We are adjourned.”

Monologue

“This is a company that started as a public notice rag, which morphed into a successful legal daily newspaper, which had a monopoly, and every law firm had to buy it. It was small and very profitable and operating in an ideal niche. What's happened is that technological change is destroying daily newspapers in America. They're all dying. The revenue goes away, but the expenses remain, and they're all dying. Berkshire owns about 100 of them, and it doesn't matter because they're all going to die. There's nothing that can be done. They're all going to die except for maybe a select few like *The*

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Wall Street Journal and *The New York Times*. It's a sad thing. There's nothing that can be done to save them. It's a sad thing because those newspapers were an accidental part of the government. They called them the fourth estate. It started out fueled by nepotism and monopoly. All the people from these old families in it were corrupt. But it morphed into a function where it was more useful for us than legislators were. Now we get opinion services on TV that spew all this 'ridiculous.' It's not a good thing in America that we lose *Newsweek*, *Time Magazine* and all our daily newspapers and get back Rush Limbaugh, and the one on the left is just as bad. Nobody planned it nor thought that the old industry would go away. It just happened."

"Daily Journal, strangely, is not going to disappear. If all our business fails, we still have a lot of marketable securities, so we will do better than these others. We also have a second business we are using to replace the economic strength of the imperiled newspaper business, Journal Technologies, a software business. This is very difficult. Ordinary software is a goldmine. It's standard and sufficient. But ours – servicing all these government departments of a lot of different kinds with special requirements, political and bureaucratic issues, dealing with rooms full of lawyers and consultants – it's intrinsically very difficult. And others have avoided it for that reason. They crank out bits of software and distribute it on the cloud or whatever and count the money. We don't. We are automating court filings and probation records and all that all over the world with armies of people, and it's unbelievably difficult. Any RFP involving the government is very difficult, but we keep good nature and have huge patience and talent. We just keep rolling. Money comes in more slowly. In spite of this and fact that everybody here at the top is old, we have done well. And don't ask why. It's a miracle. It's a big market, but not easy and not fast. We like the customers. I am in love with the government of Australia, such nice people. It's wonderful they want to hire us. It's a miracle they found our little old Daily Journal would be a safe choice. Part of our success is our competitors have been so awful; it's an everlasting struggle, and we have the most unlikely cast of characters. It's fun to watch. We have amazing goodwill, and people attack their work. There are a million opportunities to do this wrong. It's really hard. More like trying to create another PwC – I can't guarantee we will succeed but consider it likely. It will be slow and awful, but I suspect we will keep growing. Gerry? Where's Gerry? Oh, blind in my left eye."

Gerry [Salzman]: "We certainly devoted a lot of energy and resources to it. We have 250 employees in Journal Technologies and offices in Los Angeles, Corona, Logan, Utah and Denver. We are seeing lots of changes. Los Angeles uses our system for its electronic filing. We also enable lawyers to determine when they come to court to see the judge. They set their own schedule and reduce the personnel requirements of the court. The city also uses system to have you pay for traffic tickets, so drive fast! We have made inroads into other courts. We have one basic system with configurations for public defenders and probation officers. It's a big advantage in installations having only one system. We now have four to seven people in Australia. We do work for South Australia and Victoria (Melbourne) – all the courts in each state. As we move forward, our financial results will depend on the number of users in various justice agencies. We only recognize income upon delivery."

Charlie: "This is a very important thing that everyone should understand. There is no simple way to count up hours and send invoices to the government. We can't collect until the thing works, and we do

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it on purpose. It reminds me of when I was young, when earthmoving was done by teams of mules guided by contractors instead of bulldozers. This one Latino had an enormous number of mules. Someone wanted him for a project and offered him a cost-plus contract. He said 'oh no, can't do that. I get business for being efficient.' Even mules seem to know the slower they work, the more they are paid. We are trying to avoid deteriorating by not doing. It's also charitable to take the business, because it's agony. Microsoft and Google don't want to be in our branch of business. I kinda like it, and [Daily Journal director] Peter [Kaufman] likes difficult stuff if he thinks it's business one will keep forever once one has it. We're just a bunch of one-armed paper hangers, and so far it's working."

"The software industry is growing enormously. The most popular course in every engineering department is computer science, and the amount of software investments by venture capital are signs of wretched excess, folly and high prices. This is not the scene that attracts the normal Berkshire Hathaway type. There will be a lot of casualties. I don't like the bad stuff coming out of investment bankers these days. I don't like when investment bankers talk about EBITDA, which I call bullshit earnings. And J-curves and private sales from one private equity firm to another with markups and fees. It's a daisy chain. But the underlying development of software changing the world is here with the wretched excess. Almost everybody has someone in software in his family. Private equity investments are in the trillions. It's very peculiar, all the promotion and crazed buying. It's fee driven. I have two private equity folks in my family. I buy a business because it works for long pull as an owner. It makes me nervous, all this fee buying. They keep throwing more money and more overhead at it. Will the world provide wonderful results? No, there will be a lot of tragedy. Of all the VCs, Sequoia is one who really did it well, and they have their record, because they kept it so small. Now everyone is trying to be large and collect fees. It's weird and will not work perfectly. I'm trying to give everyone the same service my law professor at Harvard gave me. 'Tell me problem, and I'll make it more difficult.' He was doing me a favor. A problem early understood is half solved. That's enough for Daily Journal. It's a long, difficult ride. I know our Board of Directors looks like an old persons' home. We have 96, 90 and 80. If you're not decrepit, you don't belong here. We will gradually work things out in spite of the aged directors. Young [Gary] Wilcox [72] is past retirement age, and the new woman [Mary Conlin, 55] makes us all look good.

"It's peculiar that the old little newspaper is now owning marketable securities and software – and you who come from all over the world to be here, you're as nutty as we are. The world needs what we are trying to do. We are trying to reward the right people and serve customers. We want to be as close to Costco as we can be. No one works harder to serve customers. I have never seen a better company at it than Costco. I hate companies who derive success from cheating people or selling something not good for them like gambling services in Las Vegas. But I am not trying to irritate our customers there! We sell stuff good for people versus tricking them. And I would choose to do this even if we made less. In fact it leads to us making more. Warren [Buffett] always said to take high road, because it's less crowded."

"The politics of the country are weirdly awful. There are excesses of hatred everywhere. California's House of Representatives gerrymandered itself to the hilt. The only danger the incumbents face is if

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someone runs to the left of the leftists or to the right of the rightists. They hate each other. And there are ten sensible people on each side. Every ten years, these nutcases of the right and left get together and throw all the sensible people out by gerrymandering them out. It's a crazy way to be governed and not pretty, and there's no solution. As Warren [Buffett] says, even if he can't participate, he wants to stay around another thirty years to just watch. Think how different television is, [Walter] Cronkite is gone. We have all these clowns on the opinion service lying to us – and they're really good at it. Their ability to mislead is underestimated. It's hard to be rational and stay sane. Part of the reason some companies I am with are successful is that they've stayed sane. A lot of what goes on is absolutely nuts. And politics is even sillier than business.”

“You people come from all over world out of deep hunger. You are nerds. I was once one and know one when I see one. I am a fellow nerd who managed to succeed despite his defects, and you need a similar result. You can get more success out of life than you deserve. How? I stumbled into a few mental tricks early and use them over and over. Take the high road, because it's less crowded. I was raised to think there was a moral duty to be as rational as one could make oneself. This I inherited by genes and surroundings. Kipling said ‘if you can keep your head when all about you are losing theirs, yours is the Earth and everything that's in it.’ It's a big advantage. Think of all the dumb things done by politicians and business leaders. In one of the earlier crazy booms that caused a recession, traders were going to Vegas and getting free stacks of chips and carousing with strippers. This was grossly awful. That was our securities market. Politicians never understood Adam Smith. It was like hiring an engineer to design your airplane who didn't believe in gravity. I laugh too, but with tears in my laughter. Being determinedly rational does work. Know what you don't know, as so many don't seem to know that they don't know much of anything. What's interesting in the present system is how heads get cabbaged up and heads don't realize it. Sir Cedric Hardwicke, the old British actor, said ‘I've been great for so long that I no longer know what I truly think on any subject.’ Our politicians don't know it. They're like cabbage. Young people shout out resentment of this and that. They're just pounding it in. It's nonsense and a big mistake, and no one is listening to them. It's no good to pretend to be something you are not, because you eventually become what you pretend. It works sometimes, but very rarely. Some no-good nicks became leading philanthropists to mislead people, and after while they became good people. Reagan shifted parties when his acting career failed, and he was hired by GE to give rightwing speeches. So of course he became a Republican. There are some prophylactic measures to take. I'm more cautious with my views. My children, by and large, are a good bunch. If I had my druthers, there's a thing or two I would change. I laugh, but that's the way life works.”

“Ok, that's enough ruminations. Imagine coming to listen to some 96-year-old man, amazing.”

Q&A

Each question is presented with the topic, though the answers below do not always stay on that topic.

Quality of the horse versus the odds offered

“They're both important, and all value is, is trying to get better prospects than what you're paying for. You can't do it all at once. You can't run a marathon in twelve different states in the same day. You

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have to find a hunting ground. The strongest companies in the world are not in America. I think Chinese companies are stronger than ours and are growing faster, and I have investments in them, and you don't, and I'm right, and you're wrong. You can laugh, but I spoke a simple truth. Li Lu is the most successful investor in whole damn room, and that's where he is. It helps if you know what hunting ground to look in. I do better when it's easy. A fisherman told me that fishing success is all about fishing where the fish (bargains) are. The hard stuff is for somebody else."

Canada

"I'm very partial to Canada. Its socialized medicine system works. They're wise to have it and pay their pharmaceutical prices instead of ours, and it's wonderful we have gotten along so well all these years. It didn't help to have two different languages spoken. That was an unfortunate accident. In some ways, they do better than we do. Gerry points out that we have customers in Canada. He's encouraging me to keep being nice."

Quant investing

"Those in the investment management industry should prepare for tougher times ahead. This indexing thing has run and run and run. And there are wretched excesses in well paid hedge funds and private equity that will result in troubles and give pain. Everywhere I see endowments wanting fewer and better managers, and the rest of people are indexing. Neither is good for managers. Want cheery news? If you think the way nerds think and go at it long enough, you will be alright. For others, if you go with that crowd, I think there is pain ahead."

Index funds

"It works for most people. But there's a huge proclivity to gamble. It's interesting to play in a game where returns are variable. It's a lure for gambling. China's average holding period is lower in equities than it is here. They love to gamble in stocks. This is really stupid. They're all gamblers. It's hard to imagine anything dumber than the way the Chinese hold stocks. They're so good at everything else. Trouble's coming."

Survivors versus victims

"Some people are victimized by others, and if it weren't for indignation it causes, we wouldn't have reforms. But most of the time it's very counterproductive to play victim. The best attitude is to keep at it and be cheerful and plod along. Politicians make my flesh crawl by being victims and go around making everyone else feel like a victim. A deep feeling of victimhood that's someone else's fault is a very bad thing, and politicians build on it think they're doing the world's work. It's absolutely crazy."

Fintech

"I don't know crypto technology except to avoid it. Like a lot of things, it goes in my "too hard" file. I don't think on it, but every once in a while, I take something on and do it because it's perverse – I am enormously rich and 96 years old. Daily Journal is difficult. Why take it on? I'm a nutcase. I hate bitcoin. It's intrinsically antisocial. We need a stable currency. We created the reserve currency of world by accident. It's a big responsibility when others are depending on you, think about them too."

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Inflation

“The economists of the world thought they knew a lot more than they did. What happened in response to recession is countries printed money like crazy and did things no one would've recommended on this scale. Yet inflation is very low. Economists have a lot to be modest about. LBJ said giving a talk on economics is like pissing on your leg. It feels hot to you, but never to anyone else.”

Books recommended

“People send me more than I can read. I skim a lot now. I am not the right one anymore. Books have been so important all his my. I used to read fewer books and read them better, but now I don't see well. You should talk to some younger man about books.”

His take on the global economy

“I am mildly optimistic about China. Nobody has ever taken a nation ahead as fast. They've done a lot right and have a big admirer in me. They were in a Malthusian trap and prevented 500,000 babies from being born using methods people didn't like. But they did the world a favor, which is admirable. There's no hostility. I admire what they've achieved in 25 years, and considering they started out as communists, the leaders are good. Imagine this communist country – they've seen enormous growth and prosperity and lifting 800 million people out of poverty. The United States ought to get along with China, and China ought to get along with the United States. Regarding the global situation, it is peculiar to have negative rates. I greatly admire one nation with 25 years of stasis. The Japanese have handled it with magnificent skill and philosophy. Japan is not going to hell, and the Japanese aren't bitching and wailing and not acting the victim and taking it like men. Japan was an export powerhouse, and up came China and Korea. It's not its fault and just happened. I've greatly admired them. The defect-free manufacturing ethos and all. The US has a lot to learn from Asians. Everything in Japan is clean, and no homeless are defecating in the street either. There's a lot to be learned.”

Changing when faced with contrary evidence

“Recognizing when you're wrong is a godsend. My family made a good bit of our fortune from liquidating things when I was wrong. I actually work at trying to discard beliefs. Most cherish what's idiotic, because they think their notion must be so good. Of course you want to challenge your beliefs, particularly by embracing disconfirming evidence. There's hardly anything more important than being rational and objective. Utterly brilliant people do the dumbest of things. I am sure all of us won't have any trouble thinking of examples of this from our own acts in the past year or two. It's hard to be rational.”

Keynes and Hayek

“Keynes was a very interesting man. He had more influence on the economics profession than anyone maybe excepting Adam Smith. I lived in the Great Depression, and Keynes was exactly right on how to fix it. We got out due to accidental Keynesianism, which came from the rise of Hitler and World War II. Hayek is more complicated, and I'm not the world's best understander of Hayek. I read and admire him but don't totally agree. It's too tough for me.”

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Tesla

"I have two thoughts. Never buy and never sell it short. A man in Los Angeles named Howard Ahmanson says 'never underestimate the man who overestimates himself.' Elon Musk is peculiar. He may overestimate himself, but he may not be wrong all the time."

The future

"I have no comments to make on industrial investments. I have a feeling the world may change. They may extend life durations by fancy tricks and reduce cancer deaths, and weird things will happen. Imagine what's already happened in tech with the whole internet developing. All the newspapers are dying, and industries are dying, it's caused a major loss for people who own stocks. But how much better can it be when we all have enough to eat? What is extra money gonna do for you? I do think that my generation had the best of all this technological change – children stopped dying, living standards went way up, they invented air conditioning, medicine improved, they can replace achy joints that cause agony. I don't think we're going to get as much improvement in the future because we've gotten so much already."

China's moral flexibility in business

"I am naturally more comfortable in my own country than what's evolved out of Chinese communists. But considering they were mired in Malthusian poverty and ignorance, it's real progress. That leader [Deng Xiaoping] said he doesn't care if a cat is black or white as long as it can catch mice. They will keep improving and may even get over their crazy love of gambling. I was with some Chinese recently and told them my thoughts on that feng shui thing – that they should get over it, because it's purely superstition."

Longevity

"I don't think I deserve any credit for longevity, it just happened. There's no male in my family who ever lived to such an age. It's weird. I can't help you"

Opioids

"I think the opioid epidemic – I don't think the wide use has helped us either. There's always some miserable excess, and it's very complicated. You remember how the Chinese emperor got rid of opioid addiction when something like one male of eight in China was an opium addict? He didn't have to kill very many people; he just said death penalty for users, no exceptions. And away went his addiction problem. I think somebody may try some of that stuff sooner than later if things get awful enough. It may not be the worst way to handle it. On that cheery note, I'll go to the next question."

Advice for teaching your kids

"The best thing is to be a good example. Preaching doesn't work worth a damn."

Negative rates

"It makes me very nervous. However, I don't think authorities had much choice. It was a politically

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impossible time. They had to do the stimulus rapidly, and the only weapon was to print money and change interest rates, and that was probably the right thing. As is the nature of governments, now that it worked once, people will overdo it, leading to excesses. I don't know what to do about this."

Low rates affecting insurance business

"I am made uncomfortable by low or negative rates lasting a long time. No one knows how it will work. If you're uneasy, welcome to club. I don't have any good solution for you."

Deficit high and bubble situation

"I can't comment on what Berkshire might do next and at what price. The Nifty Fifty [1970s bubble] – that's a great question. At its height, a home sewing company was valued at fifty times earnings. The current stock market situation is not as crazy as the Nifty Fifty or the tech bubble of the late 1990s. These companies are actually valuable, some with too high of prices. But the sewing business was sure to fail. That was absolute dementia."

Advice to family members on careers in finance

"They're not very interested in what I think about their career choices, and I respect their disinterest. Think of the basic intellectual dishonesty that comes when you start talking about adjusted EBITDA. You're almost announcing you're a flake, yet respectable people talk that way and charge fees for talking that way. It's just ridiculous, wretched excess. They sell companies from one private equity firm to another just to take fees higher and higher. Finance by its nature goes to wretched excess. It's not good for the country. We paid a big price when that led to the Great Depression and the rise of Hitler."

Do you re-read books?

"Yes, I want to re-read poem that I read eighty years ago by George Sand. It was a female using a man's name. It was called "Ode to Goddess of Poverty." Toward the end, there was a line that said something about trying to banish her only to want her back. I would like to see the poem again but don't know how to punch notes in the Internet, so if someone will send to me? It's a message to politicians who have the stupid idea to abolish all poverty. Riches in a modern civilization are a relative thing – it's status that we want. The trouble with reaching for status is the bottom 90% are always going to contain exactly 90% of the people no matter how hard we work or how much we succeed. We actually need some tough incentives in a civilization in order to make it work. In other words, George Sand was right. The goddess of poverty is not all bad, she's partly good. And of course I like thoughts that I have that are different from everybody else. I think that have a billionaire who talks about the glories of the goddess of poverty is making a contribution. But only a bunch of nerds like you will appreciate it."

Electric vehicles

"Solar will be more popular than hydrogen fuel cells will be. Taking the sun's energy into electricity and into car is a good idea for the long pull, and the tech will work. Some is improving. And it's all to the good. When I came to California, they had the Petroleum Club, we had wildcatters, we had big oil

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industry; it was a little like Texas. I don't think we've found any new oil to speak of in California in decades. I think it's dangerous to rely on hydrocarbons for energy. Of course we've got to get more of it directly from the sun. I think that Texas will eventually get to be like California."

Do we need to have a positive trade balance to keep prosperity in next century?

"The answer is no."

Advising children to hold onto their stock and not sell it

"I am not a good model. My children do what they please, and I'm happy doing the best I can by my children and seeing where things fall. I don't worry too much about raising them. Don't sweat too much how long your children hold stock."

Motivation

"I've been lucky, I like what do, I have wonderful partners and friends and a nice family. My problems are interesting to me. I've been a very fortunate mad. I could've had different hand and been a miserable alcoholic throwing up in the gutter. I stumbled into a reasonable amount of felicity and didn't deserve credit, but trying to be rational helped. If you're not gonna be a sex object, you may have to rely on rationality. It's the only thing you've got."

Environment / nuclear power

"I admire Bill Gates who feels the duty to throw money at unpopular things, and they might possibly work. It's an admirable and well-suited effort. I don't know but think it's worth considering. The problem is how much fissionable material do you want a bunch of crazy humans to have? We will have to get more energy directly from the sun, and everybody is going into that in a big way. Even if there was no global warming problem, I would be in favor of getting power from sun. It's a good idea to conserve hydrocarbons and use more solar. That's not the normal attitude of others, but I'm right, and they're all wrong."

Universal basic income

"If we did enough of it, it would totally ruin everything. A little, we can afford. What the exact mix is will be determined through the political process forever."

Moral imperative to be rational

"I have some tools. I hardly do anything else. I use an inversion process. When I was a meteorologist in World War II, I was told how to draw maps and predict the weather. But I was actually clearing pilots to take flights. Suppose I wanted to kill pilots. What would be the easiest way to do it? Planes flying into icing they couldn't handle or not having enough fuel and being in a place where they couldn't land. I made up my mind I was gonna stay miles away from killing pilots. So it was my job to help to avoid those situations. I just reversed the problem. If I want to to fix India, I would say 'what could I do if I really wanted to hurt India,' and figure out how to avoid those things. It's the same thing just in reverse. It works better frequently to invert the problem. You don't think of what you want, you think about what you want to avoid and invert. If a meteorologist can really know how

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to avoid something that's the only thing that's gonna kill a pilot, the results are better. Algebra works same way – every great algebraist inverts all the time, because the problems are solved easier. So does the same thing in ordinary walks of life. Constantly invert. Don't think of what you want, think what you want to avoid. When you think what you want to avoid, you also think of what you want. Peter Kaufman, who's here today, he likes the idea that you want to know how the world looks from the top looking down, and you want to know what it looks like, from the bottom looking up. If you don't have both points of view, your reality recognition is lousy. Peter's right, and inversion is the same thing. It's a simple trick looking how does this look above me and beneath me, and how can I hurt the people above and beneath me who I want to help. They're are such simple tricks, like the lever. They really help, and yet our great educational systems giving out advanced degrees don't teach these simple tricks. They're wrong! They're just plain wrong”

Researching new ideas

“Things like complicated technology, I leave to others. I don't do it. Think where one has the advantage over others and stay there. I won't go into a pharma trying to guess the next new drug invented, I have no advantage. Others are wise, and I am stupid. Invert. It works better. I look for games where I'm wise and they're stupid. Believe me, it works a lot better. God bless our stupid competitors. The knowledge of my own competence is important. You have to say ‘this is too tough for me, and I will never figure it out.’ I'm very good at knowing when I can't handle something.

BYD / Tesla

“I am not an expert on the future of electric vehicles, except I know they're coming. BYD's sales are down, because reduced China incentives to buyers. Tesla's are up, because Elon convinced people he can cure cancer.”

Journalism and politics

“The old proprietors of news – the networks and newspapers and magazine monopolies – they were pretty good, and the current bunch is deliberately lying, because it sells better. I liked the old ones better. These guys are so good at marshaling hatred. There was some constructive use, and now they're overdoing it. It's too intense and cabbaging up the minds - already broadcasters' minds are cabbage, and now those of the people who watch, too.”

Moats

“Moats been breached time after time. Imagine Eastman Chemical going broke and department stores on the edge of extinction and monopoly news going down and strength of American auto industry now versus 1950. The old classical moats are disappearing rapidly. It's probably a natural part of the modern economic system that the old moats stop working. Let me know what your problem is, and I will make it more difficult for you.”

Advice to expand business understanding

“So many of you want to be rich by being in finance. At multitude, you won't all be rich. 99% will be the bottom 99%, and that's the way it's going to work. In my generation, finance nerds were patient

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and rational and eventually did well, and one day they saw opportunity and grabbed it. If you're a star salesman or charismatic personality, I don't know how to help. If you're not a nerd, I can't help. Easy money draws wretched excess, like animals eating a carcass in Africa. And wretched excess always gets easy money. Modern finance is not so wonderful. In my time, finance people were like engineers so chastened by the Great Depression that they tried to make everything safe. Plodding, not get rich quick. This modern world is radically different, and I'm not sure, if I were starting out in your world, how well I would do. It would be a lot harder than it was to get ahead in the world the way it was when I came up. My best advice, I think you would be happier if you reduced your expectations. Generally it's a very good idea. It sounds silly but is so obvious. How many in here are content with moderate success? It's worth knowing because that's what most of us are gonna get."

Boeing

"It's a great company with a safety record. They lost their way and made dumb mistakes. It's the nature of things when you try to do something complicated for hundreds of thousands of people. Occasionally you slip up. They had a near-miss when rudder stuff failed several years back, and I was on the safety committee at USAir, and they couldn't figure it out for months. It caused three crashes. They survived then and will survive this. It's really expensive to make big safety mistakes and should be avoided."

Human misjudgment/becoming more rational

"It's a long process to become rational. It's something you get slowly and not some instant result, but it's better than not having it. It's hard to know how human civilization oughta be organized. You can see how awful it is for people who don't have it. They get angry and are always sure they're right. It's like the debate over the social safety net. In my own life, I've often reflected about how well the system has worked. I concluded that the social safety net came up enormously as the world got more prosperous. Republicans always opposed it were wrong, and Democrats pushed it too far ahead and were also wrong. What we have is about right, and we wouldn't have gotten it from either party alone. It's close to right today, and would not happen if either party was in control. Power does corrupt. The genius of the American system is no one person gets too much power. American civilization wouldn't be where it is today without it. There's ebb and flow."

Healthcare

"The Haven project is an interesting subject. Take American healthcare. In many ways, it's the best in the world. There are more brains in schools and pharmaceuticals companies than anywhere per capita or all together. On the other hand, if you went into hospitals and doctor's offices, you'd see a huge amount of activity that's unproductive and causing harm. Some like Kaiser don't do stupid things like prolong death and all that evil to make more money. Other companies and pharmas are outrageous and charging \$10,000 a month or something – it's ridiculous. I even go further, it's evil, and it will change. There's a too much wretched excess. And the really sad part is the people doing it have no conscious malevolence – they're not people who decided to do murders and maimings to make money. They think it's good for patients. An unnecessary back operation on somebody is a major evil, but the guy that's doing it really thinks it's good for the patient. In other words, he's turned his brain into

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cabbage. And that's not a good thing. We have to change incentives. We're gonna have to change the system. If you take the medical system of Singapore, it costs 20% of what ours costs and has better statistics. It's not opaque, it's open. We have a whole industry thing that tries to make it opaque so they can take advantage of people. And they think it's free enterprise. I think it's stealing."

Delayed gratification

"Well, it's obvious that deferred gratifiers do better over the long pull than these impulsive children that have to spend money on Rolex watches or other folly, and not that I'm picking Rolex as any worse than Patek Philip or something. But I think everybody who's adult should save and not be stupid and spend and defer gratification to get more later, and all those good things that we were taught by Benjamin Franklin – thrift and so forth. And the odd thing about is that people are kind of born deferred gratifiers or not. They've done recent psychological work on that subject. Lots of luck if you're an impulsive person that has to be gratified immediately. You're probably not gonna have a very good life, and we can't fix you. But if you have a slight tendency to defer gratification, and you can feed that tendency, you're on the way to prosperity and happiness. Demand for immediate gratification is the way to ruin. It may also give you syphilis. They have a saying in Vaudeville, giving the hook. My friend Guerin has just given the hook. I'm an accidental guru. We didn't set out to have an audience of people coming in and asking me questions about every damn subject in the world. It just kinda happened by accident. And I went along with it, because I think it did more good than harm, and I kinda enjoy it as long as I don't have to do it too often. But I feel sorry for people who have adulating multitudes, and I also wouldn't like a normal multitude. I love these nerds."

Singapore

"Well, that's like asking some ordinary klutz who is drunk if he can come up with something like Albert Einstein. It's just too much Yew was the best nation builder that probably ever existed. What he accomplished in Singapore when you consider what he started with, is a miracle. And of course I don't know how to create that everywhere. I'm not sure he could've done it if he didn't have a bunch of Chinese there. I'm not sure that any other ethnic group would've done it. He had what looked like a terrible hand. By the way, there's a very interesting story there. He needed an army when he first took over, and nobody would help him. Only one nation in the whole world would help him, and that was Israel. And he said 'how can I accept? I'm surrounded by Muslims who hate me. How can I accept military advice from Israel? And he finally figured it out. He accepted the help, and he told everybody they were Mexicans. Well with that little joke, we'll end the meeting."

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