

Charlie Munger: Full Transcript of Caltech Zoom Talk, Dec. 2020

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A CONVERSATION WITH CHARLES T. MUNGER, 2020

x CALTECH

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This month Caltech hosted a Zoom talk with Charlie Munger, its 2020 Distinguished Alumnus. It was heartening to see Charlie full of his trademark wit, wisdom, and energy as he fielded a series of questions for 53 minutes.

I have transcribed this talk and have included clickable links throughout to relevant articles. The video recording of this talk is available on [Caltech's YouTube channel](#).

<https://latticeworkinvesting.com/2020/12/16/charlie-munger-full-transcript-of-caltech-zoom-talk-dec-2020/>

I would like to thank Caltech for hosting such a wonderful talk and to Mr. Munger for once again energetically entertaining all questions and graciously sharing his wisdom, insights, and time with all of us.

I hope you all enjoy!

(Note: You will find that I frequently summarized the questions from the moderator, but as for anything that Charlie said, I translated them as accurately as possible.)



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CM Charlie Munger
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Moderator: What was Caltech like in 1944?

Charlie: Well, the main campus looked very much the way it does now. And, uh, the Athenaeum was exactly the way it is now.

Moderator: How'd you compare your meteorology program to the rest of what was going on campus?

Charlie: Yes, I was in the part of the campus where Thomas Hunt Morgan was. And of course he was the world's greatest geneticist and he used fruit flies and they stank. And so my whole part of the campus had the odor of dying fruit was the whole time I was there. By the way, I liked the campus and I got used to the fruit fly odor.

Moderator: But presumably you didn't spend all your time with fruit flies...

Charlie: I was so ignorant in those days. I could have walked over and introduced myself and he would have been quite courteous with me. And he was a very great man, and I was too dumb to do it. It didn't occur to me.

Moderator: So at the end of the war you decided not to return to mathematics at the University of Michigan or to stay and go to college somewhere else. Instead you went to law school.

Charlie: My father had gone to the Harvard law school and my grandfather was a distinguished judge in Nebraska. So that was a natural course of activity for me.

Moderator: In thinking about these career changes, which a lot of people go through over the course of their lifetime. What could our fellow alumni and in particular, our soon to be new alumni can borrow from your experiences in those early days of your life, when you were choosing a career that still has resonance today?

Charlie: Well, it's very important when you choose a career. If you go into a career that's very tough, you're not going to do very well. And if you go into one where you

have special advantages, and you like the work you're going to do pretty well. And so I went into law because I didn't want to be a surgeon. I didn't want to be a doctor. I didn't want to be a... And when I finally got through, it was the only one...I just went down the family path. And it wasn't the wisest decision I ever made.

Moderator: And once you started to get into investment, your legal training, your mathematical background, your experiences...what came to be resonant for you?

Charlie: Well, what happened was there were things I didn't like about law practice, and I had an army of children to support, and no family money or anything to start with. So I had to make my way in life for this army of children. And...it was going to be a little difficult. And there are things about law practice I saw that were quite limiting. And what happened was, my pitifully small earnings as a young man, I kept underspending them. I kept investing fairly wholly and fairly smartly. And at the end of my first 13 years of law practice, I had more in liquid investments than I made in all those years law practice pre-tax. I'd done that in my spare time with these little tiny sums. So it was natural for me, partly prompted by Warren Buffett's success, to think I should just start working for myself instead of for other people. I had made (300) thousand dollars in my spare time, and I thought 'What will happen if I do it full time'.

Moderator: So one of the things that connects Caltech to investing is of course the process of discovery, which creates new technologies. And for an economic historian, one thing that we're very aware of is that technological change has driven a lot of the growth of the American economy over the last several centuries. But from your perspective, as an investor, what have been the most dramatic transformation you've seen over those 75 years, that Tom Rosenbaum reminded us connected to us...

Charlie: Well of course there have been huge booms and huge busts. And that has been very interesting. And of course, the government has tried to do things that will dampen down the fluctuations and make recoveries from the busts happen faster.

And of course, that's caused a fair amount of inflation in a life that's lived as long as mine. And what's happened in the investment field is, of course, that so many people have gone into it. And people have made so much money. And its driven an

almost frenzy of activity in the investment field. When I was young, there was practically nobody in it and they weren't very smart. And now almost everybody's smart, even the Caltech graduate, a good proportion of them are sucked into finance by the money. And so that's been a hugely important development. I don't welcome it myself at all. I don't think we would want the whole world trying to get rich by outsmarting the rest of the world in marketable securities. But that's what has happened. And there's been frenzy of speculation and so on. So it's been very interesting, but it's not been all good.

Moderator: At some level, once you make an investment, you're putting your money into the hands of an entrepreneur who is going to actually produce something. The value investing that you practice has that characteristic relative to a pure arbitrage approach to try to make money in finance.

Charlie: Well, I did not make my origin by and large on the cutting edge of technology. My first investment with my pitiful savings...I invested in a company right in Pasadena. And it was called William Miller Instruments. And I damn near lost all my money. It was hell on earth. We just barely squeaked out with a substantial outcome. And what did us in was the oscillograph that we'd invented...and we were so proud of, and we thought it was going to knock the world flat...somebody invented magnetic tape without telling me and by the time we got the oscillograph ready to go to market, we sold three. Three total in the whole country. ***Technology is a killer as well as an opportunity.*** And my first experience had damn near killed me.

Moderator: And so that's sort of the other part, right? Over those 75 years that you've been, you've been involved in investing...

Charlie: (My attitude) for a long time was 'Keep me out of venture capital on the edge of technology. I tried to avoid it.

Moderator: But even so, in the companies that you deal with, some of them are market leaders at one point in time, and as you just suggested, some technological change or change in preferences will lead those companies to be with less of a market than they used to have for their products. And so how does one think about this over the long-term?

Charlie: Over the long-term, big companies of America behave more like biology than they do anything else. In biology, all the individuals die and so do all the species, it's just a question of time. And that's pretty well what happens in the economy too. All of the things that were really great when I was young have receded enormously. And new things have come up and some of them started to die.

And that is what the long-term investment climate is, and it does make it very interesting. Look at what's died. All of the department stores, all the newspapers, US Steel, John D Rockefeller's Standard Oil is a pale shadow of its former self. ***It's just like biology. They have their little time and then they get clobbered.***

Moderator: And, and so how does one...sort of deal with change? So you can think about an investment portfolio that you've created at any point in time will only have validity for a certain amount of time. And so how does one learn to deal with change? It's a question that I always ask my students. How does somebody who has to take the resources of very large numbers of people deal with this change? Any thoughts on that matter?

Charlie: Well, some people try to get on the cutting edge of change. So they're destroying other people instead of being destroyed themselves. And those are the Googles and the Apples and so forth. Other people, like me, do some of that, joining things like Apple, and in some ways, we just try to avoid big change (inaudible) that's likely to hurt us. And so Berkshire for instance owns the Burlington Northern Railroad. You can hardly think of a more old-fashioned business than a railroad business. But who in the hell is ever going to create another trunk railroad? So that's a very good asset for us. ***So... we've made that successful, not by conquering change, but by avoiding it.*** Now, Burlington Northern itself has been quite clever at adapting technology to their railroad. Imagine the good luck of being able to take an existing railroad and double deck all the trains and raise the heights of the tunnels a little and so forth. And all of a sudden, you've got twice the capacity at very little incremental cost, which is what that railroad is doing. Everybody uses new technology, but it really helps to have a position that almost can't be taken away by technology. How else are you going to carry goods from the port of Los Angeles to Chicago except on our railroad?

Moderator: So it's, so it's an innovation within an economy that continues to follow certain sets of rules rather than looking for the new economy? Is that another way to think about it?

Charlie: There are different ways all successful investment involves trying to get into something where it's worth more than you're paying. That's what successful investment is. There are a lot of different ways to find something that's worth more than you're paying. You can look for it right on the cutting-edge of technology, the way Sequoia does. The most remarkable investment firm in America is probably Sequoia. That venture capital firm, which absolutely fanatically stays right on the cutting edge of modern technology. They've made more money than anybody, and they have the best investment record of anybody. It's perfectly amazing what Sequoia has done.

Moderator: So you've also talked repeatedly about people's mental biases. As you said, you don't want to be the smartest person, but you want to avoid doing stupid things. So how does one guard against mental biases in one's decision-making?

Charlie: I've spent a lifetime trying to avoid my own mental biases.

"A" I *rub my own nose into my own mistakes*.

"B" I try and *keep it simple and fundamental as much as I can*.

And I like the engineering concept of a *margin of safety*.

I'm a very [blocking and tackling](#) kind of a thinker. I just try and avoid being stupid. I have a way of handling a lot of problems. I put them on what I call my "*too hard pile*" and I just leave them there. I'm not trying to succeed in my too hard pile.

Moderator: Do they sometimes come back and require for you to...

Charlie: Oh, I sometimes get into things that are too hard, and when that happens, I fail.

Moderator: So one has to accept limitations. Is that one of the really important pieces of avoiding these biases?

Charlie: What I would say is the single most important thing, if you want to avoid a lot of stupid errors, is knowing where you're competent and where you aren't. Knowing the edge of your own competency. And that's very hard to do because ***the human mind naturally tries to make you think you're way smarter than you are.***

Moderator: So, as a question, that's almost personal, given my research, I can't resist asking about innovation and finance over the last half century. It's a sector that's gone through several upheavals...radical change. To go back to the time when you were born, there were 30,000 banks in the U S none of them were very, very large. A few New York banks were big, and now the top 20 banks count for almost everything. But the rate of innovation in finance has been huge. And there's a debate in academic finance about how much of this innovation is helpful to the markets versus how much actually creates instability.

Charlie: Well, I have a very clear opinion on that. I think the early innovation that the Bank of America did under Giannini, where he helped all these immigrants with these loans of all kind. And he kind of knew which ones were good for it. And which ones weren't. I think that was all-to-the-good. That brought banking help to a lot of people that deserved it. It helped the economy, it helped everybody. But once banking got so they wanted to be in soft white hands and make zillions as speculators, I don't think those developments have been a plus. I like banking when they're trying to avoid losses prudently.

Moderator: I have one more question, which I think a lot of people have in mind. COVID has been extremely disruptive to American society and the American economy. How do you think the economy is going to emerge over the next 12 months from this period of difficulty? And how much of the change that we've seen start to happen is going to be persistent?

Charlie: Well, my opinion on that is no better than anybody else's. But...I think it's quite likely that a year from now, the worst of that will be very thoroughly behind us. It's amazing. I watched the polio get totally killed by the vaccinations. And I think they'll spread these vaccines over the world so fast it'll make her your head swim. ***So I think this horrible COVID thing is very likely to shrink to insignificance in of course the next year.***

Moderator: And what about the transformation of retail? So you said the department stores are gone, but there seems to be quite a massive transformation of retail. Are we going to go back to old town Pasadena for example? Or is the shift to online retail...

Charlie: Well, I don't think retailing is going to go away after-all it has been around for thousands of years. But certainly it's been a very difficult place to make money because of what the internet has done. I recently had a friend send me a blue blazer made in China. Bought on the Chinese internet. And it cost \$42, delivered. And it may not have been a perfect blazer, but it was an amazing blazer for \$42. The person that created that blazer gave some little factory an order for a hundred thousand at once. And those have been pre-sold using the internet. And so it's the most extreme kind of kill-all-your-competitors type of selling I've ever seen. Of course, retailing hasn't coped with something like that. How it good is it for Brooks Brothers when somebody can deliver things with internet, from China, for \$42? And it didn't look like that bad a blazer to me either. Retailing has gotten very tough. And I think this online stuff is here to stay and it will get more and more efficient.

Moderator: So that could be actually good for the consumer but more difficult for certain sets of investors? In particular, sort of commercial real estate?

Charlie: Of course. These changes are always bad for some investors and good for others. But when they're bad, they're very bad. I don't (inaudible) full brunt of the changes that are coming in terms of this online shopping. I'm a director at Costco, and in the last reporting period, their online sales were up 86% over the same quarter last year. Now that is a significant development. Is it good for other retailers? No, it's good for Costco, but it isn't good for them.

Moderator: But how much of this is people who would have shopped at Costco in the in the store?

Charlie: The brick-and-mortar stores are already doing well, but their brick-and-mortar stores have been enormously destructive because of their low prices and efficiency to other retailers. And now they're doing all this internet thing. The last thing I'd ever want to do in retail is compete with Costco.

Moderator: So we've talked a bit about retail and the reorganization of the American labor force is also going to... You think that that is going to be a more transitory phenomenon? That once we get vaccinated, the jobs are going to return? Or are we likely to see a slow return of employment in the same way that we did after 2001, 2010?

Charlie: You've got to remember that *I did not make my fortune, such as it is, by predicting macroeconomic changes better than other people.* What Buffett and I did was we bought things that were promising. And then...sometimes we had a tailwind from the economy and sometimes we had a headwind. And either way we just kept swimming. That's our system. Now, after all, that's the system Caltech has too. Caltech just gets up in the mornings and keeps swimming and pretty soon they're eminent. Caltech's not trying to play the game of getting big advantage out of the booms and busts. We're just like Caltech.

Moderator: We do hope that we are committed to our path of discovery and not the victims of the current fashion. And that we have our own decisions about what we think is really important research...

Charlie: Yeah. Oh no, you're trying to get the right answers, but you're not really trying to predict what the economy is going to be like 18 months from now.

Moderator: So we now have a large number of really interesting and imaginative questions from the audience. So perhaps I could actually have your answers to some of these, and I will just read them to you. I saw one from Dr. John Victor, who was a Bachelor of Science in chemical engineering, 1971. And he has two questions. The first one is he has a theory that really smart people foresee the future better than others. And so we can ask, what did you think about that? And then the second question is, did you ever make a bad business decision?

Charlie: Well, the answer is, to the second one, is of course I have made bad business decisions. You can't live a successful life without doing some difficult things that go wrong. That's just the nature of the game. And you wouldn't be sufficiently courageous if you tried to avoid every single reverse. And what was the first question?

Moderator: Do smart people predict the future better than others?

Charlie: Well, that is a very interesting question. You could argue that both ways. ***A lot of smart people think they're way smarter than they are, and therefore they do worse than dumb people.*** And if you ask me...and it's very common to be utterly brilliant and think you're way the hell smarter than you are.

I think Warren and I have been pretty good at avoiding that one. We're pretty modest about how...I know what my mental capacity is, and it's pretty low compared to the best that could possibly be. When I was at Caltech, I took the course in thermodynamics from [Homer Joe Stewart](#). And one thing that I learned from...and by the way a lovely human being and gifted beyond compare...And one thing I learned, was that no matter how hard I would try, I could never be as good at thermodynamics as Homer Joe Stewart. And I think that is a very useful lesson. I knew what I could do and what I couldn't. And I never even considered trying to compete with the Homer Joe Stewart's of the world in thermodynamics.

Moderator: How did your study of meteorology influence your thinking?

Charlie: Well, not much. But you learn something from anything you do. It was a very empirical science in those days. We just made weather maps which laid out the weather on the map. And then we stacked up those maps. And by looking as one followed another, you could see whether the weather systems were moving. And that's the way we were predicting the weather. And of course that's a lot better than nothing. And, we did have some little tricks, like predicting icing and so forth. But basically, [we just were doing two things](#). We were trying to prevent a pilot from going somewhere and not being able to land and therefore having to crash and die. Or we were trying to prevent a pilot from going into icing that was so tough that he couldn't handle it. And if I did that in my Army Air Corps, I knew I wouldn't kill a pilot. That's not very complicated by Caltech's standards...

Moderator: Well there's a lot of uncertainty, right?

Charlie: Yes there is, but sometimes it's pretty easy. And when it's likely to be bad, you can tell them not to go. I was in the ferry command, so I didn't have any bombing runs or anything like that. And so if it really was dangerous, I would just tell them not to go. It was such an empirical science, I never wanted to be in it. They throw the meteorology department out of Caltech early after World War II. And I think it was a correct decision. It was too empirical an activity for Caltech.

Moderator: So we're back in climate science. So I think things have changed since then...

Charlie: Climate science is different from meteorology. That's a very interesting subject about which there's a lot of disagreement.

Moderator: Well we're actually trying to make some progress and having a better predictive model over the long run evolution of the climate of the globe.

Charlie: Everybody is, but it's proven very difficult. It's better than nothing, don't misunderstand me. But it's proven very difficult. My attitude on that is that the worst that can happen, in terms of global climate, can be coped with by the advanced civilizations. If you had to erect sea walls to protect the entire present United States, that wouldn't take that much of GDP per capita for that many years. And it could be done quite safely if we had to. So I don't see that as the worst tragedy that man could get.

Moderator: What is one critique of Caltech or its alumni? Or how should Caltech or its alumni evolve in the future?

Charlie: I think Caltech is doing very well just the way it is. And I think one of its great advantages is that it doesn't change too much. I think it was very smart to keep the undergraduate department pretty small and make the graduate department so outstanding. In other words, I think the whole idea was I think quite sound, and it hasn't changed all that much. Remember I was there when Millikan was there. And I knew him, not well. And it hasn't changed that much. And I think that's been a strength.

Moderator: If I understand that history (of Caltech) is that we really wanted to focus on the ability of people with different backgrounds and different disciplines to talk to each other, because we thought that new ways of thinking about the world about science or about engineering emerged from that...But there are also having situation where scale matters. So in thinking about those investment opportunities or other kinds of activities in trying to be smart about things, how much of this is, is accepting information from a variety of different sources to cross-check the decision you want to make?

Charlie: Well I'm a big fan of knowing the big ideas in pretty much all the disciplines, the ones that are pretty easy to assimilate and then using those routinely in your judgments. That's just my system. And I don't believe in just constantly consulting with experts and doing things that way. I might do that if I were building a chemical plant or something, but ***in investment decisions I think it's very helpful to be able to yourself be pretty comfortable with the big ideas in all the disciplines.*** And I think that also life's more fun if you do that.

What I find is though, that academia is not very good at the interdisciplinary stuff. Academia rewards a researcher who knows more and more about less and less. And there are real difficulties with that approach.

Moderator: I mean, that is an inevitable part of the way we go about doing...

Charlie: I know (it's) an inevitable way of doing it, but when you're outside your own little field, it's dangerous.

Moderator: So my next set of questions are more on the finance side. Do you expect the next 10 years to have lower returns in the equity markets than in the last 10?

Charlie: The answer is yes. Because so many people are in it. And ***the frenzy is so great.*** And the systems of management, the reward systems are so foolish. That I don't think it's going to work...I think that returns will go down, yes. In real terms, the returns will be lower.

Moderator: What do you think of the combinations of quantitative easing and large fiscal deficit? And where are they going to lead us?

Charlie: Well, there I got a very simple answer and that is, it's one of the most interesting questions anybody could ask. And we're in very uncharted waters. ***Nobody has gotten by with the kind of money printing we're doing now for a very extended period without some trouble. And I think we're very near the edge of playing with fire.***

Moderator: It is remarkable how much we've expanded the money supply; how low interest rates are and how little initial response there has been on...

Charlie: Remarkable is not too strong a word. “Astounding” would be more like it.

Moderator: I will, I’ll let you choose the adjective Charlie.

Charlie: It’s unbelievably extreme. Some European government borrowed money recently for some tiny little fraction of 1% for a hundred years. Now that is weird. ***What kind of a lunatic would loan money to a European government for a hundred years at less than 1%?***

Moderator: For a long time, a lot of the policy making in the world was because capital is scarce. For a long time the world economies were poor. And since World War II, we’ve been creating wealth at a very, very high rate. Have the rules change to some extent, because in some sense, the developed economies are just very wealthy?

Charlie: Well, of course it’s changed to some extent because the developing economies are very wealthy. It’s changed enormously. In my lifetime, advanced civilization has gotten ahead faster than any century that existed before. And nothing else is even close. It’s utterly without precedent in real terms.

It’s unbelievable. I watched the whole thing practically because I’ve lived so long. And it’s been absolutely astounding. I can remember having a five-course filet mignon dinner in Omaha for 60 cents when I was a little boy. The world has really changed.

Moderator: So our, our next question, which is the converse. Wealth can be high because we’ve accumulated a lot of wealth or because the value of wealth is high. So is it NASDAQ in a bubble? And will it blow up? And do we know when?

Charlie: Well nobody knows when bubbles are going to blow up, but just because it’s NASDAQ doesn’t mean it’ll have another run like this one very quickly again. This has been unbelievable. Again, there’s never been anything quite like it. If you stop to think about it, think what Apple is worth compared to John D Rockefeller’s old oil empire. It’s been the most dramatic thing that’s almost ever happened in the entire world history of finance.

The other thing that's really remarkable. You take the last 30 years of China; they have had real economic growth at a rate for 30 years that no big country has ever had before in the history of the world. And who did that? A bunch of communists Chinese. Now that is really remarkable. So ***if you're studying finance, you've got a lot of strange things to account for.***

Moderator: So how would you rate investing in China with the current political tensions or you invested in China through the ownership of American companies that do business in China?

Charlie: Well, of course I'm investing partly in American companies that do business in China, including Coca-Cola. But I'm also invested very significantly in China through the management of Li Lu, who the Munger family backed heavily when he formed a little private equity firm to invest in China. And he has had a very successful record, and that's made me follow very closely the leading companies in China. And of course, I've had very successful experience there. And I think it's likely to continue. The Chinese story is the damndest thing that ever happened to a big country in terms of economics. No other big country ever got ahead that fast for that long.

Moderator: Does that say that sort of the politics don't matter so much?

Charlie: Yeah it does. That's a very interesting observation. What that shows is exactly right. Who would have guessed that a bunch of communist Chinese run by one party would have the best economic record the world has ever seen? Of course it's extreme. And I think it proves that it doesn't...We Americans would like to think that our free expression and allowing all kinds of opinion, and all kinds of criticism of the government is totally an essential part of the economy. And what the Chinese have proved is you can have a screamingly successful economy with a fairly controlling government.

All the government has to do is create a lot of Smithian capitalism. If you do that, having a sort of a controlling one-party government doesn't matter. That's not a fashionable thing to say, but I think it's true.

Moderator: So for those of us who can't only rely on that form of growth...how do we encourage young mentees to take big bets on the edges? And how should this be taught at Caltech?

Charlie: Well, if you ask, 'How can Caltech teach people how to win chess tournaments or poker tournaments?', you would find that some people at Caltech are very good at that and the others aren't. And if you want to win at those things, you better bet on the people that are really very good at it. And not everybody is. I don't think Caltech can make great investors out of most people. I think great investors to some extent are like great chess players. They're almost born to be investors.

Moderator: And that's because of the tolerance for risk? Is it the patience? What are the traits to be a great investor?

Charlie: Obviously you have to *know a lot*. But partly it's *temperament*. Partly it's *deferred gratification*. You got to be willing to wait. Good investing requires a weird combination of *patience and aggression* and not many people have it. It also...requires a *big amount of self-awareness* and how much you know, and how much you don't know. You have to *know the edge of your own competency*. And a lot of brilliant people are no good at knowing the edge of their own competency. They think they're way smarter than they are. And of course, that that's dangerous and it causes trouble. So I think Caltech would have a hard time teaching everybody to be a great investor.

Moderator: Could it help people discover that they have that temperament? Or is this something that you mostly should try on your own?

Charlie: I think you find out whether you've got the qualities to win at poker by playing poker.

Moderator: That's a very empirical approach, Charlie.

Charlie: Yes, but I think it's right. Obviously, it helps to know the basic math of Fermat and Pascal. But everybody with any sense knows that stuff. *But having the temperament where Fermat and Pascal are as much as part of you as your ear and nose, that's a different kind of a person. And I think it's hard to teach that.* I

have found...Warren and I have talked about this...in the early days when we talked about our way of doing things, which was working so well, we found some people got it, and they instantly converted to our way and did very well. And some people, no matter how carefully we explained it, and no matter how successful they were, they could never learn what...they could never adapt it. ***They either got it fast or they didn't get it at all. So that's my experience.***

Moderator: Sort of related to this...you talked about the search for psychological research and education ground in how humans truly operate. Have you found it yet?

Charlie: Well, no. I haven't found anything yet, except how to get by fairly well. And that's harder than a lot of people think. Just think of how hard it is to get far ahead in life. Imagine, suppose you want to get ahead in Caltech, you like the academic life. Caltech is very good at getting people tenure. If you're very brilliant and work 80 or 90 hours a week for 9 or 10 years, you get tenure. That is not what I call an easy life...And competing with the Homer Joe Stewarts.

Moderator: Well some of us love it, that's all I can say, Charlie.

Charlie: Yes, of course. I know. And that's fine. And I chose to avoid it because I knew I wouldn't win big at it. (I would have been) a perfectly successful professor by ordinary standards, but I would not have been a star.

Moderator: So finding your own path is something you really recommend to everyone?

Charlie: Well, no. ***What helps everyone is to get in something that's going up and it just carries you along without much talent or work.*** And so if you pick a really strong place, like say Costco and you go to work at it, and you're really reliable and nice, you're going to do fine in life. You got a big tailwind. But in elite education, nobody wants to go to work for Costco, from Harvard or MIT or Stanford. And of course it's the one place where it'd be easiest to get ahead.

Moderator: So I have a few more questions that are more on the finance side, but there is one I cannot resist asking you. "I'm 16. I want to take up investing as a full-time career. What is Mr. Munger's best advice for me?"

Charlie: Well, if you pursue any career with enough fanaticism, that's very likely to work better than not having the fanaticism. Look at Warren Buffet. He had this fanatic interest in investments from an early age and he kept making small investments even with his paper route savings and so forth. And he finally learned how to be pretty good at it. If you want to succeed in investments, start early and try hard and keep doing it. All success comes that way by and large.

Moderator: What are you proudest of?

Charlie: Well. *I'm proudest of avoiding some things I don't like. I don't like irrationality and I've worked to try and avoid it in my life.* And I haven't succeeded of course, nobody does. But I've done better than I thought I would, starting out at a fairly low state. And it has been a pleasant way of going. And Caltech by and large stands for that. Caltech really tries to figure things out, and that's the value.

And having that just right into your gene plasm really helps. I work a lot these days with a Caltech postdoc who's now a professor of physics at UCSB, and he's a pleasure to work for. He never said anything stupid. He's just so talented. [Lars Bildsten](#) is his name and he heads that visiting program for the physicists of the world at UCSB. But Lars, he is trying to figure it out right. And his graduate students are trying to figure out everything a little faster and better than other graduate students. That's Caltech. He was at Caltech for two or three years as a postdoc. And Lars Bildsten is a wonderful man. Cal Tech is full of people like that. I don't think Caltech has a lot of improvement that they can do in their physics department. I think it's pretty good the way it is.

Moderator: Well, we are very glad of that and very proud...

Charlie: Well, you should be. You should be. It's harder to be that smart in the liberal arts. Partly because many liberal arts professors or so leftist. It's hard to be very smart if you're a crazy leftist. You're going to have the world a lot wrong.

Moderator: What was the most memorable thing for you when you were at Caltech.

Charlie: Well, it comes back to Homer Joe Stewart. Homer Joe Stewart was just exactly the kind of a person you want representing Caltech to the students. And I came back to my fiftieth anniversary from my time at Cal Tech, and there was Homer Joe Stewart. He must have been 88 or something. He was just sharp as a tack. And he started talking to me a little about thermodynamics. And he says, “You know,” he says, “what’s interesting about thermodynamics is how little of it was derived mathematically from Newtonian physics.” And that is such a good thing to say, and if you understand both subjects, it’s so correct. It’s weird! You would think that you could just derive all of thermodynamics from what Newton...but you can’t! In other words, as long as you have people like Homer Joe Stewart, you don’t have to worry about Caltech.

Moderator: Which of your acts of philanthropy are you proudest of?

Charlie: Well, I’m not that proud of my philanthropy. I regard it as an absolute minimal duty of somebody to be reasonably successful, you ought to be reasonably generous. So, I don’t think you get big merit points for philanthropy. Because you do that, you get a lot of discredit if you didn’t. And I don’t think I’ve been any record philanthropist. I’ve given away more money to my family than I’ve given to philanthropy. I am sort of a bad example. Now I think my philanthropy has been pretty intelligent. I think a lot good with the money that I’ve given away. But I don’t think I deserve any credit for giving away money that causes me pain. I don’t want to be under false pretenses on that.

Moderator: What are you most curious about in the next 30 to 40 years?

Charlie: Well, having been an investor for so long, ***I’m of course, interested in these weird present conditions and these weird economic conditions where they’re printing money like crazy and so forth.*** And of course that’s very interesting. And I’m interested in the fact that the world has come so far in having these undeveloped countries get ahead so fast like China. Now I compare India, which has a way worse economic record, even though they got more of our political institutions. You know, they got more free speech in India, and a way worse economic achievement. I think the economic development of the modern world is very interesting. It’s a very interesting subject. And I see why so many people in economics like it, because it is just so perplexing and so interesting. And of course, the achievements have been so great. And technology is the same. Who

would guess that the whole world could have colloquia on Zoom? We weren't doing it a year and a half ago. I mean, it's just amazing what's happened. Who would have guessed that...A lot that's happened should surprise everybody. And it's very interesting.

Moderator: Charlie, thank you very much for this conversation. I particularly appreciate your enthusiasm and ongoing curiosity, which is something that we very much value at Caltech. Is that there's always something new to think about, a question to ask again. And please accept my congratulations on the distinguished alumni award and my thanks for participating in this event.

Charlie: Well, I liked Caltech when I was there. It wasn't on the career path I was going to choose for myself, but I loved the detour that I got by accident of having to participate in a war. It was good for me to be in Caltech for my nine months. And it's been good for me to live in the same community all these decades since. You know, I like the whole thing.

Moderator: Fantastic. And I want to thank the two twenty-four hundred people who have joined us for this conversation. Stay safe and goodbye.

End of Transcript

Thank you for reading. I hope you all thoroughly enjoyed the transcript. If you found any errors, kindly let me know and I will fix them.

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Sincerely,

A handwritten signature in black ink that reads "Richard Lewis". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Richard Lewis, CFA
White Stork Asset Management LLC
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