

Introduction

Charlie Munger: Ladies and gentlemen, wherever you are, via Yahoo finance's website. The meeting will come to order.

I'm Charlie Munger, Chairman, and to my right is Jerry Salzman, CEO.

The directors are Gerry Salzman, Peter Kaufman, Mary Conlin, Gary Wilcox—who's retiring now—and myself. Ellen Ireland will be inspector of elections.

On December 18, 2020—the record date—there were 1,380,746 shares of common stock of the company outstanding. The total number of shares, represented by proxies at this meeting, are 995,682, which are more than enough to constitute a quorum making the meeting duly held. The first order of business is to reelect the four directors and the votes are as follows: Charles Munger, 679,481, Gerald Salzman, 660,287, Peter Kaufman, 593,336, Mary Conlon, 651,493. Because we have the proxies those directors are now reelected.

The second proposal is to ratify the appointment of our certified public accountant: Baker Tilly US, LLP. The votes in favor of that are 995,356 against 120. That's interesting—who in the hell is voting against the accountants? But the accountants are duly elected. We will now proceed to the question period.

Go ahead.

Questions

Question: *In this year's annual letter, you mentioned the share price increase was driven by speculative frenzy and forced index buying. I would imagine that applies to the broad market too. What are the psychological implications of this type of market behavior? What could investors do to cope better with periodical frenzy?*

Charlie Munger: Well, these things do happen in a market economy. You get crazy booms. Remember the Dot Com boom when every little building in Silicon Valley ran into a huge price and a few months later about a third of them were vacant. There are these periods in capitalism. I've been around for a long time and my policy has always been to just write them out. And I think that's what shareholders do.

In fact, what a lot of shareholders actually do is crowd in buying stocks on frenzy—frequently on credit—because they see that they're going up. And, of course, that's a very dangerous way to invest. I think that shareholders should be more sensible and not crowd into stocks and buy them just because they're going up and they like to gamble.

Kipling once wrote a poem called *The Women (The Ladies)* and the concluding line was to the effect that you should learn about women from him instead of doing it yourself, because, he says, I know you won't follow my advice.

Question: *What are Mr. Munger's thoughts on the recent GameStop short squeeze by social media and the resulting implications on short selling in the future? And another shareholder asked: Dear Mr. Munger, please share your thoughts on the recent /r/WallStreetBets GameStop short squeeze. It seems to involve a lot of your standard causes of human misjudgment.*

Charlie Munger: Well, it certainly does and that's the kind of thing that can happen when you get a whole lot of people who are using liquid stock markets to gamble the way they would on embedding on resources.

And that's what we have going in the stock market in a frenzy that's fed by people who are getting commissions and other revenues out of this new bunch of gamblers.

And, of course, when things get extreme you have things like that short squeeze. It's not generally noticed by the public but clearinghouses clear all these trades. And when things get as crazy as they were in the event you're talking about, there are threats of clearinghouse failure. So it gets very dangerous. And it's really stupid to have a culture that encourages as much gambling in stocks by people who have the mindset of race track betters. And, of course, it's going to create trouble as it did.

I have a very simple idea on the subject. I think you should try and make your money in this world by selling other people things that are good for them. And if you're selling them gambling services where you make profits off of the top, like many of these new brokers who specialize in luring the amateurs in, I think it's a dirty way to make money. And I think that we're crazy to allow it.

Question: *What do you hope the future of the Daily Journal Corporation looks like in a decade?*

Charlie Munger: Well, I certainly hope that they succeed mightily in their software endeavor to automate all these courts for the modern world. And, I think that could happen, but, of course, that's not a sure thing. I hope the newspaper survives too. And that's not a sure thing either.

Question: *The highly configurable JTI product may help e-suites integrate deeply into new jurisdictions as agencies and citizens become familiar with the courthouse software. Today, the majority of contractual revenue that can be identified is from implementations and licenses. What are the main sources of ancillary revenue expected once the products have gone live and how meaningful will the products like eFile-it, ePay-it, cloud hosting services, and others become?*

Charlie Munger: Well, we don't really know where it's all going. We do know one thing and that is that the courts of the whole world are going to be taken into the modern age. And, as Gerry

has just said to me just after breakfast, you wouldn't want to invest in a parking lot by a courthouse for the future because an awful lot of the court proceedings are going to go to the internet. This is a highly desirable thing. If you go to a little country like Estonia, the whole damn country is on the internet and it's a very good idea.

So, I think you can count on the fact that what we're doing is going to be a big growing field. That's the good news. The bad news is it's not clear who's gonna win all the business or how much money is going to be made. Generally speaking, people assume that we're a normal software company like Microsoft or something. We are in fact being a more difficult type of software business than Microsoft. When you respond to software by the RFP process, it's a very difficult, demanding business and it's less profitable and less sure than what Microsoft does. We love it anyway. It's doing a big public service.

Question: *We have a couple of questions about J.P. "Rick" Guerin. Would you share a few stories about him and your fondest memory?*

Charlie Munger: Well, he was one of my closest friends for many decades. And, he was very good company and a splendid gentleman. Of course, we accomplished quite a bit working together.

Rick was part of the group which consisted of Warren Buffett, Rick Guerin, and Charlie Munger that bought control of Blue Chip Stamps when it was widely distributed in an anti-trust settlement. We were together in that for a long, long time, and then Rick and I did the Daily Journal together on another occasion.

Rick was always humorous. Always intelligent. I tell a story on Rick that he took the Navy's IQ test and got one of the highest scores ever recorded and left early. That doesn't happen. That's the reason he rose so fast in life. He was just so damn smart.

He was fun to be with because he was always jumping out of airplanes and parachutes and running marathons and so on, doing all kinds of things I would never consider doing. And he was a great kidder. He loved to kid people.

He was very courageous and generous in helping everybody around him all his life. We miss Rick terribly. But he was 90 years of age. He had a long and wonderful run. He was old as I am. When these people go, there is none replacing them. Gerry, can you ever remember Rick down? He was always upbeat.

Gerald Salzman: Always upbeat, yes. And interested and up to speed and didn't have to take a lot of time to get background information to make his comments. Always on point.

Charlie Munger: Well, it helps to be able to leave the IQ test early with the highest score.

Questions: *Now that we are cash flow positive—assuming the software business is investing organically as much as it can—what is the philosophical thinking with respect to capital allocation at the Daily Journal. Are traditional dividends and share repurchases the likely end-state—assuming our software business grows into a bonafide company—or will buying and holding securities from time to time be what the board is comfortable with? Everyone knows this isn't a small cap Berkshire Hathaway. I'm just trying to get a feel for what the long-term capital allocation is.*

Charlie Munger: Well, the business around here that has the most promise is our software business automating the courts. And we're gonna play that as hard as we can. And, we hope to do well in it. [As for] marketable securities, we prefer owning common stocks to holding cash under current conditions and it's kind of an accident that we have so much in marketable securities.

Question: *In recent years, Berkshire Hathaway has provided much greater insight into the company's succession thoughts and has made available at the annual meeting the company's leading managers that will steer Berkshire's future. These actions have given some shareholders more visibility and comfort on their investment. Can you provide similar insight regarding the future at the Daily Journal and would you consider implementing policies like those at Berkshire so shareholders can get to know the up-and-coming leaders in the organization?*

Charlie Munger: Well, the people doing the computer software are doing magnificently well—the people under Gerry: Maryjo and Danny. We hope they'll continue doing magnificently well. But, of course, it's a very difficult field. There's a lot of competition and we're a very small company compared to our main competitor. And so, we can't promise we're going to succeed. All we can promise is that we're gonna try and so far as I can tell, we're doing pretty well. Gerry, don't you think we're doing pretty well?

Gerald Salzman: I think so, Charlie.

Charlie Munger: I would go further. I don't think Gerry is surprised that the people doing the work—Maryjo and Danny—are doing well. But I'm flabbergasted at how well they're doing.

Gerald Salzman: Charlie refers to the courts, many times. The JTI software has been configured for other judicial and justice agencies, including district attorneys, prosecutors, public defenders, probation, etc. So we have one basic system configured in a number of different ways, including worker's comp for a large state in the United States.

Charlie Munger: It's a huge field in which we have a very interesting toehold with the strongest toeholds in Australia and California. We can't promise what the outcome will be but we are trying pretty hard and we get some favorable impressions of progress. One thing I can promise is that I won't contribute much to it because I don't understand it.

Questions: *Many observers see market behavior that reminds them of the Dot Com bubble: wild speculation, endless SPACs, and IPOs soaring on their first day of trading. Do you agree that there is a close parallel to the late 90s and that this, therefore, “must end badly?”*

Charlie Munger: Yes, I think it must end badly but I don’t know when.

Question: *It seems like everyone—including actors, athletes, singers, and politicians—is getting into the business of promoting their own SPAC. What do you think of all of the SPACs and the promoters pushing them?*

Charlie Munger: Well, I don’t participate at all. And I think the world would be better off without them. I think this kind of crazy speculation in enterprises not even found or picked out yet is a sign of an irritating bubble. It’s just that the investment banking profession will sell shit as long as shit can be sold.

Question: *Last February, you spoke about the wretched excess in the financial system. Given the developments over the past year, could you give us an update on your assessment of wretched excess in the system? Where does it appear most egregious?*

Charlie Munger: Well, it’s most egregious in the momentum trading by novice investors lured in by new types of brokerage operations like Robinhood. I think all of this activity is regrettable. I think civilization would do better without it.

You’ll remember that when the first big bubble came, which was the South Sea bubble in England back in the 1700s, it created such havoc eventually when it blew up that England didn’t allow hardly any public trading and securities of any companies for decades thereafter. It just created the most unholy mess.

So human greed and the aggression of the brokerage community create these bubbles from time to time. And I think wise people should just stay out of them.

Question: *In your past speeches, you have mentioned the term functional equivalent of embezzlement to describe situations where bubbles can form because both parties involved in a bubble believe the asset to be worth more than it truly is. Can U.S. Treasury bonds be such a case today? And what are the implications, since Treasury assets underpin the value of every other asset? Thank you for all you do to educate us.*

Charlie Munger: Well no, I don’t think we have a bubble in Treasury securities. I think they’re a bad investment when interest rates are this low. I never buy any and neither does Daily Journal. But, no, I don’t think Treasury securities are a big problem.

I do think that we don’t know what these artificially low interest rates are going to do or how the economy is going to work in the future as governments print all this extra money. The only

opinion I have there is that I don't think anybody knows what's going to happen for sure. Larry Summers has recently been quoted as being worried that we're having too much stimulus. And I don't know whether he's right or not.

Question: *Previously, you have said; It takes character to sit with all that cash and do nothing. I didn't get to where I am by going after mediocre opportunities. In the past few years, equity prices have increased significantly and cash has arguably become riskier due to central banking policy. Have you considered amending this quote or lowering your standards?*

Charlie Munger: I think everybody is willing to hold stocks at higher price-earnings multiples when interest rates are as low as they are now. And so I don't think it's necessarily crazy that good companies sell at way higher multiples than they used to.

On the other hand, as you say, I didn't get rich by buying stocks at high price-earnings multiples in the midst of crazy speculative booms. I'm not going to change. I am more willing to hold stocks at high multiples than I would be if interest rates were a lot lower. Everybody is.

Question: *Do you think value investing is still relevant in a GDP-decreasing world? And, what about passive investing?*

Charlie Munger: Well, that is easy. Value Investing will never go out of style. Because value investing—the way I conceive it—is always wanting to get more value than you pay for when you buy a stock. That approach will never go out of style.

Some people think that value investing is you chase companies that have a lot of cash and they're in a lousy business or something. I don't define that as value investing. I think all good investing is value investing. It's just that some people look for values in strong companies and some look for values in weak companies. Every value investor tries to get more value than he pays for.

What is interesting is that in wealth management, a lot of people think that if they have a hundred stocks they're investing more professionally than they are if they have four or five. I regard this as insanity. Absolute insanity.

I find it much easier to find four or five investments where I have a pretty reasonable chance of being right that they're way above average. I think it's much easier to find five than it is to find a hundred.

I call it deworsification—which I copied from somebody. I'm way more comfortable owning two or three stocks which I think I know something about and where I think I have an advantage.

Question: *Why is Berkshire Hathaway selling shares of Wells Fargo as quickly as one can and the Daily Journal has sold one share? If it's not good enough for Berkshire, shouldn't we have the same standards?*

Charlie Munger: Well, I don't think it's required that we be exactly the same on everything. We have different tax considerations. There's no question about the fact that Wells Fargo has disappointed long-term investors like Berkshire because the old management—which is now removed—were not consciously malevolent or thieving but they had terrible judgment in having a culture of cross-selling where the incentives on the poorly paid employees were too great to sell stuff that customers didn't really need. And when the evidence came in that the system wasn't working very well because some of the employees were cheating some of the customers, they came down hard on the customers instead of changing the system. That was a big error in judgment. And, of course, it's regrettable.

So, you can understand why Warren got disenchanted with Wells Fargo. I think I'm a little more lenient. I expect less out of bankers than he does.

Question: *What is the wisdom behind holding bank stocks compared to other stocks. Are they more stable?*

Charlie Munger: Well, I think all stocks can fluctuate. I do think banking run intelligently is a very good business. But, a very wise man said on an earlier occasion: The trouble with banking is that we have more banks than we have bankers.

The kind of executives who have a Buffett-like mindset and never get in trouble are a minority group, not a majority group. It's hard to run a bank intelligently. There's a lot of temptation to do dumb things which will make the earnings next quarter go up but are bad for the long term. And some bankers yield to the temptations. It's difficult, but it's not impossible investing in bank stocks successfully.

Question: *What is the biggest competitive threat to U.S. banks like Bank of America and US Bank—both equity holdings of the Daily Journal Corporation—over the long term? Is it digital wallets like PayPal, Square, or Apple Pay? Is it Bitcoin, decentralized finance, or something else?*

Charlie Munger: Well, I don't think I know exactly what the future of banking is and I don't think I know how the payment system will evolve. I do think that a properly run bank is a great contributor to civilization and that the central banks of the world like controlling their own banking system and their own money supplies.

So, I don't think Bitcoin is going to end up as the medium of exchange for the world. It's too volatile to serve well as a medium of exchange. It's really kind of an artificial substitute for gold, and since I never buy any gold, I never buy any Bitcoin. I recommend that other people follow my practice. Bitcoin reminds me of what Oscar Wilde said about fox hunting. He said it was the pursuit of the uneatable by the unspeakable.

Question: *Has your opinion on cryptocurrencies remained the same? And would the Daily Journal consider Bitcoin or any other cryptocurrency as an asset on the balance sheet similar to what Tesla recently did?*

Charlie Munger: We will not be following Tesla into bitcoin.

Question: *BYD is in the Daily Journal stock portfolio with a very big paper gain. The stock has gained so much this year and last year. The stock appreciated probably way more than intrinsic value. How do you decide to hold on to a stock or sell some?*

Charlie Munger: Well, that's a very good question. BYD stock did nothing for the first five years we held it. Last year it quintupled. What happened is that BYD is very well positioned for the transfer of Chinese automobile production from gasoline-driven cars to electricity-driven cars. You can imagine it's in a wonderful position and that excited the people in China which has its share of crazy speculators. And so, the stock went way up.

We admire the company and like its position. And we pay huge taxes to a combination of the federal government and the state of California when we sell something. On balance, we hold in certain of these position when, normally, we wouldn't buy a new position. Practically everybody does that.

One of my smartest friends in venture capital is constantly getting huge clumps of stocks at nosebleed prices. And what he does is he sells about half of them always. That way, whatever happens, he feels smart. I don't follow that practice but I don't criticize it either.

Question: *Do you believe the valuations for electric car manufacturers are in bubble territory? Both Berkshire and Li Lu own BYD Company which you spoke highly of in the past. BYD sells at nearly 200 P/E. This is cheap compared to Tesla currently valued at over 1100 times P/E and 24 times sales. I know Berkshire is a long-term owner and rarely sells securities of high-quality companies it owns in its portfolio simply because it's overvalued. For example, Coca-Cola in the past. However, is there a price too high that the company's future profits simply cannot justify? And since we are on the subject of selling potentially overvalued security, could you provide your systems for selling securities?*

Charlie Munger: Well, I so rarely hold a company like BYD that goes to a nosebleed price that I don't think I've got a system yet. I'm just learning as I go along. I think you can count on the fact that if we really like the company and we like the management—and that is the way we feel about BYD—we're likely to be a little too loyal. I don't think we'll change on that.

Question: *Why, almost two years ago, did you believe that Costco was the only U.S. stock worth buying? And why did you feel that Amazon had more to fear from Costco than Costco had to fear from Amazon? And if you believe Jeff Bezos is one of the best businessmen you have ever known, would you consider investing early in any of the new projects he will inevitably focus his*

attention on now that he will not have to be as concerned about the day to day responsibilities of Amazon?

Charlie Munger: I'm a great admirer of Jeff Bezos whom I consider one of the smartest businessmen who ever lived. But I won't be following him. We have our crotchets and I just don't know enough about it to want to go into that activity. When you get into these hard questions, there's a lot of very intelligent honorable people who reach opposite conclusions.

Costco I do think has one thing that Amazon does not. People really trust Costco will be delivering enormous value. And that is why Costco presents some danger to Amazon. They've got a better reputation for providing value than practically anybody, including Amazon.

Question: *How do you control your investments in a world where reasonable companies with a good image like General Electric sink rapidly into the bottomland of the stock market. How do you recognize a potential downfall in a company you hold/invest in? Or, is it impossible to realize a deterioration quickly enough to exit without a loss?*

Charlie Munger: Well, I never owned a share of General Electric because I didn't like the culture. And, I was not surprised when it blew up. I do think the present CEO is an extraordinarily able man and the directors made a very wise choice when they put him in charge. And I think the directors of GE deserve a lot of credit for making Larry Culp the CEO. If anybody can fix it, he can.

Question: *You famously run investments through your mental checklist. Is there anything that you wish you had added to your checklist sooner?*

Charlie Munger: Well, I'm constantly making mistakes where I can, in retrospect, realize that I should have decided differently. And I think that that is inevitable because it's difficult to be a good investor.

I'm pretty easy on myself these days. I'm satisfied with the way things have worked out and I'm not gnashing my teeth when other people are doing better.

I think that the methods that I've used including the checklists are the correct methods and I'm grateful that I found them as early as I did and that the methods have worked as well as they have. I recommend that other people follow my example.

It reminds me of the key phrase and Bunyan's Pilgrim's Progress in which he says: My sword I leave to him who can wear it. I'm afraid that's the way we all have to leave our swords.

Question: *You and Warren have been adept at quickly sizing people up, particularly business leaders and potential business partners. What do you look for in a leader? And do you and Warren have any tricks or shortcuts to size people up quickly and accurately?*

Charlie Munger: Well, of course, if a person is a chronic drunk, we avoid him. Everybody has shortcuts to screen out certain hazards. And we probably have more of those shortcuts than others. They've served us well over the years.

One of the great advantages of the way Berkshire operates is that we associate with a lot of marvelous people. And if you stop to think about it, that is also true at the Daily Journal.

What little newspaper company has come through the crisis of this destroying of all the newspapers better than the little Daily Journal? And we've had marvelous people here to help us do it through very difficult times and one of them is Gerry Salzman.

Gerry and I have been together, how many years Gerry?

Gerald Salzman: Early 70s.

Charlie Munger: Early 70s. And it's rather interesting. I recognized early that Gerry could run anything he wanted to run. And when the old CEO of the Daily Journal died, Gerry was managing the business affairs of the Munger Tolles law firm. But he previously worked for Rick Guerin and me in running a little mutual fund that we bought control of. And he made a very favorable impression.

I said to Rick, we're going to make Gerry the head of the Daily Journal. He gasped and said, but he's never had anything to do with newspapers or anything else. I said it won't matter. He'll be able to do it. And we immediately ascended, we put Gerry in, and he's made every decision wonderfully ever since. That's our system.

Tom Murphy used to say that his system of management was to delegate just short of total abdication. And that's the way we handled Gerry.

Question: *Which do you think is crazier? Bitcoin at 50,000 or Tesla's fully diluted enterprise value of 1 trillion. What do you make of these two pricings?*

Charlie Munger: Well, I have the same difficulty that Samuel Johnson once had when he got a similar question. And he said; I can't decide the order of presidency between a flea and a louse.

I feel the same way about those choices. I don't know which is worse.

Question: *Should there be a tax on buying stock now that Robinhood trades are free?*

Charlie Munger: Robinhood trades are not free. When you pay for order flow, you're probably charging your customers more and pretending to be free. It's a very dishonorable low-grade way to talk. Nobody should believe that Robinhood's trades are free.

Question: *My question concerns China. In 1860, GDP per capita in China was 600. In 1978, the year Deng Xiaoping took over, it was 300. Today, it hovers around 9500. Never before in the history of mankind have we seen such a rapid eradication of poverty, pulling approximately 800 million people out of destitution. You are on record as a zealous fan of the Chinese work ethic and Confucian value system. As we can see from the deteriorating U.S. relationship with China, the Western world does not understand China. What can we do to increase knowledge, understanding, and appreciation of the Chinese civilization?*

Charlie Munger: Well, it's natural for people to think their own civilization and their own nation are better than everybody else. But everybody can't be better than everybody else.

You're right. China's economic record among the big nations is the best that ever existed in the history of the world. And that's very interesting.

A lot of people assume that since England led the Industrial Revolution and had free speech early that free speech is required to have a booming economy as prescribed by Adam Smith. But the Chinese have proved that you don't need free speech to have a wonderful economy. They just copied Adam Smith and left out the free speech and it worked fine for them.

As a matter of fact, it's not clear to me that China would have done better if they'd copied every aspect of English civilization. I think they would have come out worse because their position was so dire and the poverty was so extreme, they needed very extreme methods to get out of the fix they were in. So I think what China has done was probably right for China and that we shouldn't be so pompous as to be telling the Chinese they ought to behave like us because we like ourselves and our system. It's entirely possible that our system is right for us and their system is right for them.

Question: *Mr. Munger is a champion of Chinese stocks. How concerned is he about Chinese government interference as seen recently with Ant Financial, Alibaba, and Mr. Jack Ma. What, for example, is to stop the Chinese government from simply deciding one day to nationalize BYD?*

Charlie Munger: Well, I consider that very unlikely. And, I think Jack Ma was very arrogant to be telling the Chinese government how dumb they were, how stupid their policies were, and so forth. Considering their system, that is not what he should have been doing.

I think the Chinese have behaved very shrewdly in managing their economy and they've gotten better results than we have in managing our economy. I think that that will probably continue.

Sure, we all love the kind of civilization we have. I'm not saying I wanted to live in China. I prefer the United States. But I do admire what the Chinese have done. How can you not? Nobody else has ever taken a big country out of poverty so fast and so on.

What I see in China now just staggers me. There are factories in China that are just absolutely full of robots and are working beautifully.

They're no longer using peasant girls to beat the brains out of our little shoe companies in America. They are joining the modern world very rapidly and they're getting very skillful at operating.

Question: *It seems likely that the current Fed policy of keeping interest rates near zero will only exacerbate the income disparity in this country by benefiting those who own the financial assets. What do you think we can do to help those who are currently falling behind as a result of this pandemic?*

Charlie Munger: It's hard to know what exact macroeconomic policy is correct. No one knows for sure just how much government intervention is wise and at what point the government should stop intervening.

I don't think we have any great gift at making macroeconomic predictions. I think that to some extent the complaint about the rich getting richer as a result of the COVID panic is a misplaced concern. Nobody was trying to make the rich richer. We were trying to save the whole economy under terrible conditions. And I think, by and large, we made the most practical decisions that were available to us.

We made the rich richer, not as a deliberate choice, but because it was an accidental byproduct of trying to save the whole civilization. And it was probably wise that we acted exactly as we did. It wasn't some malevolence of the rich that caused it. It was an accident. And the next time around the poor will get richer faster than the rich. That thing circulates.

Who gets rich faster by class is going to vary over time and I don't think anybody should be too concerned by it. As a matter of fact, what happens is to make a nation rich, you need a free market system. And if you have a free market system that's trying to get rich in the way recommended by Adam Smith, what happens is that it's a very irritating system because the poverty that causes so much misery is also causing the growth that makes everybody get out of poverty. In other words, to some extent, it's a self-correcting system. That makes the whole thing very awkward. And it's a shame that the economics textbooks don't emphasize how much a growing economy needs poverty in order to get out of poverty. If you try and reduce the poverty too much, it's counterproductive. These are very difficult questions and most people assume that it's simple. If we could make the world richer by just raising the minimum wage to \$100,000 a second or something, of course we would do it but. But we can't.

Question: *Mr. Munger recently raised the alarm about the level of money printing taking place. What are his thoughts on modern monetary theory?*

Charlie Munger: Modern monetary theory means that people are less worried about an inflationary disaster like Weimar Germany from government printing of money and spending it.

So far the evidence would be that maybe the monetary modern monetary theory is right. Put me down as skeptical. I don't know the answer.

Question: *The Federal Reserve appears to be supporting asset prices. Do you think this is a worthwhile policy objective given the effect it has on creating financial excesses and income inequality? What do you think the long-term consequences will be?*

Charlie Munger: Well, I don't know how well the economy's doing to work in the future. And I don't think that we or the Daily Journal is getting ahead because we've got some wonderful macroeconomic insight.

I do think that I'm way less afraid of inequality than most people who are bleeding about it. I think that inequality is absolutely an inevitable consequence of having the policies that make a nation grow richer and richer and elevate the poor. So, I don't mind a little inequality and what I notice is that the rich families generally lose their power and wealth—and pretty fast. So I don't worry that the country is being ruined by a few people over getting ahead a little faster than the rest of us.

I think the Chinese were very smart. Imagine a bunch of Chinese communists turning a whole lot of Chinese and the billionaires in a big hurry. And what did the Chinese communists do with respect to death taxes? The death tax in China is zero. That's what the communists are doing. I think they're probably right, by the way.

Question: *Many believe that inequality accelerated by this pandemic has reached alarming levels that demand drastic solutions such as a wealth tax. Do you agree with the premise and if so how would you address inequality?*

Charlie Munger: I think any rich nation ought to have a social safety net that expands a little with its wealth. That's what we've been doing throughout my whole lifetime. And I applaud the result. I think the result would have been worse if either party had been in control all by itself for the whole period. In other words, I think the system of checks and balances and elections that our founders gave us actually gave us pretty much the right policies during my lifetime. I hope that that will continue in the future. But I do think politics is getting more full of hatred and irrationality than it used to be in America and I don't think that's good.

Questions: *Many major businesses and high net worth individuals have been leaving California. Can you speak to the causes, the trend, and make some predictions?*

Charlie Munger: Yes, I think that is rising as we sit here. I just see more and more of the rich people leaving. And, of course, I think it's vastly stupid for any state to be user-friendly to the rich people. They do way more good than harm. They lose their money fast enough. You don't need to worry about them.

Washington State is actually considering a wealth tax at the state level. I think that would be insanity. I predict that if they do that, a lot of people will leave Washington.

Question: *With all the work from home with Zoom and other technology, what do you think the future of commercial real estate looks like?*

Charlie Munger: Real estate has always been a difficult field. And some types of real estate in recent years has been particularly difficult. I think office buildings are now in some trouble and, of course, commercial real estate rented to stores has been in a lot of trouble for a long time. Apartments have come through better. But, I don't think I've got a lot to contribute. I own some apartment houses, so I like that investment, provided you've got a perfect management which is hard to get.

Question: *I was wondering if you could share some thoughts on Haven, particularly why it was ultimately closed. What were the lessons learned?*

Charlie Munger: I don't know anything about Haven. Give me a new question.

Question: *You've said several times that the best way to learn about business is to study the multi-decade financial results of great companies. You've even said business schools that don't adopt this method are doing their students a disservice. Would you mind elaborating on how a professor or individual should go about building a curriculum around this approach? What, for example, would you recommend as course materials?*

Charlie Munger: Well, here's what I meant. By the way, the Harvard Business School, when it started out way early, they started out with a history of the business. They'd take you through the building of the canals and the building of the railroads and so on and so on. You saw the ebb and flow of industry and the creative destruction of the economic changes and so on. It was a background that helped everybody. And, of course, what I'm saying is that if I were teaching business I would start the way Harvard Business School did a long time ago.

I think they stopped because if you taught that course, you'd be stealing the best cases from the individual professors of marketing and so on and so on. And I just think it was academically inconvenient for them. But, of course, you should start out by studying the history of capitalism, how it worked, and why before you start studying business. And they don't do that very well—I'm talking about the business schools.

If you stop to think about it, business success long term is a lot like biology. And in biology, what happens is the individuals all die, and eventually, so do all the species. Capitalism is almost as brutal as that. Think of what's died in my lifetime. Just think of the things that were once prosperous that are now in failure or gone. Whoever dreamed when I was young that Kodak and General Motors would go bankrupt. You know, it's just, it's incredible what's happened in terms of the destruction. Of course, that history is useful to know.

Question: *[The questioner] quotes a commencement address you gave in 2007 at USC Law School. I'll paraphrase here. If a civilization can progress only when it invents the method of invention, you can only progress when you learn the method of learning. I was very lucky. I came to law school having learned the method of learning and nothing has served me better in my long life than continuous learning. [The questioner] would like to know what Charlie's method of learning is.*

Charlie Munger: I think I had the right temperament. When people gave me a good idea and I could see it was a good idea, I quickly mastered it and started using it for the rest of my life. You'd say that everybody does that in their education but I don't think everybody does. It's such a simple idea.

Without the method of learning, you're like a one-legged man in an ass-kicking contest. It's just not gonna work.

Take Gerry. Do you think the Daily Journal would have hundreds of millions of marketable securities now if Gerry didn't know how to learn something new? He didn't know one damn thing about the Daily Journal when we made him head of it. But he knew how to learn what he didn't know. Of course, that's a useful thing. And by the way, I think it's hard to teach. I think it's just to some extent you either have it or you don't.

Questions: *Why are some people incapable of learning new ideas and behaviors?*

Charlie Munger: It's partly culture but a lot of it is just born in and it's a quirk. Some people have a natural trend toward good judgment, and with other people, their life is just a series of mistakes over and over again.

Question: *You have revised your famous talk on the standard causes of human misjudgment with considerable new material back in 2005. Now 16 years have passed. Is there any new material?*

Charlie Munger: No, I would say that... of course, there's some new material in misjudgment. But, but by and large, most of the knowledge has been available for a long time.

What prevents the wide use of helpful psychological insight is the fact that psychology gets really useful when you integrate it with all other knowledge. But they don't teach that in the psychology department because the academic system rewards little experiments that develop more insight into psychological tendencies instead of synthesizing what's already been discovered with the rest of knowledge. The psychology professors don't know all that much about the rest of knowledge and they have no incentive to master it. If you don't have master the rest of the knowledge you can't synthesize it with psychology. That's an interesting example of self-learning.

When I saw that psychology was necessary and I didn't have it, I didn't just learn the little tendencies well enough to get A's in psychology. I learned those tendencies well enough to synthesize it with the rest of knowledge. And that's the right way to do it. But show me a psychology department that knows how to do that. It's one of the most ignorant professions in the world.

Question: *Charlie, you are known as an advocate for learning from one's mistakes. What can you learn from the Barry "Dutton's" bookstore building deal in Brentwood and how would you apply that new knowledge or experience in the future?*

Charlie Munger: I think I've learned to avoid zoning work. When I was young, I rezoned some properties very successfully. And I was like Rip Van Winkle; when I tried to come back to it, I found that the world had changed. And I don't think you'll find me engaged in the massive rezonings in the future.

Question: *What advice would you give to someone who is trying to stay within their circle of competence but finding that the pace of technical technological innovation is rapidly reducing that circle?*

Charlie Munger: Well, of course, if they bring in a brand new technology you don't understand at all, you're at something of a disadvantage. And my advice would be if you have a fixable disadvantage, remove it. And if it's unfixable, learn to live without it. What else can you do?

You fix what you can fit, and what you can't fix, you endure.

Question: *You are one of the oldest and greatest thinkers of our time. Any tips for someone who wants to work on and improve their ability to hold two opposing views at the same time? Any tips on how to generate insight in these types of situations?*

Charlie Munger: Well, I do have a tip. At times in my life, I have put myself to a standard that I think has helped me: I think I'm not really equipped to comment on this subject until I can state the arguments against my conclusion better than the people on the other side. If you do that all the time; if you're looking for disconfirming evidence and putting yourself on a grill, that's a good way to help remove ignorance.

What happens is that every human being tends to believe way more than he should in what he's worked hard to find out or where he's announced publicly that he already believes. In other words, when we shout our knowledge out, we're really pounding it out. We're not enlarging it. And, I was always aware of that and so I've accepted these damned annual meetings. I've been pretty quiet.

Question: *Eugene Abegg seems like he was one of the best bankers of the last century, achieving both extremely low loan loss rates and earning around 2% on assets over a long time period. I think the bankers of today could learn a lot from Eugene, but little is known of him.*

How did Eugene achieve incredibly low loan losses over the long term while so many other bankers have failed miserably?

Charlie Munger: Well that's an easy one. He was a very smart man. He lived in a particular town. He knew everybody and everything. He had excellent judgment. He cared terribly about not making bad loans or incurring dumb expenses. So he was just a perfect banker if you wanted never to have any trouble.

Of course, it really helped to know everybody in town. If I had stayed in Omaha, where I was raised, and gotten into the banking business, I would have been a hell of a good banker. Because even as a boy, I knew a lot about who was sound who wasn't sound in Omaha. And that's the way Eugene was in his community.

Furthermore, he'd gone through the Great Depression. He'd been a receiver for a bank. Of course, that made him very leery of dumb loans. And, of course, he hated costs. He was just a very old-fashioned sound thinker.

Of course, that will still work. But it's hard for anybody. He really knew everything you had to do to avoid credit losses in a small town in Illinois.

Question: *Charlie, you have been a long-time admirer of Singapore and Lee Kuan Yew. You once said to study the life and work of Lee Kuan Yew. You are going to be flabbergasted. I would be curious to know how you started your interest in Singapore and Lee Kuan Yew. Have you met Lee Kuan Yew in person? And if there is one thing the world could learn from Singapore, what would that be?*

Charlie Munger: Well, Lee Kuan Yew had the best record as a nation builder. If you're willing to count small nations in the group, he had probably the best record that ever existed in the history of the world. He took over a malarial swamp with no army, no nothing. And, pretty soon, he turned that into this gloriously prosperous place.

His method for doing it was so simple. The mantra he said over and over again is very simple. He said, figure out what works and do it. Now, it sounds like anybody would know that made sense. But you know, most people don't do that. They don't work that hard at figuring out what works and what doesn't. And they don't just keep everlastingly at it the way he did.

He was a very smart man and he had a lot of good ideas. He absolutely took over a malarial swamp and turned it into modern Singapore—in his own lifetime. It was absolutely incredible.

He was a one party system but he could always be removed by the electorate. He was not a dictator. And he was just so good. He was death on corruption which was a very good idea. There's hardly anything he touched he didn't improve.

When I look at the modern Singapore health system, it costs 20% of what the American system costs. And, of course, it works way better than our medical system. That's entirely due to the practical talent of Lee Kuan Yew. Just time after time, he would choose the right system.

In Singapore, you get a savings account the day you're born. If you don't spend the money, you and your heirs get to spend it eventually. In other words, it's your money. So, to some extent, everybody buying medical services in Singapore is paying for it themselves. Of course, people behave more sensibly when they're spending their own money.

Just time after time he would do something like that. That recognized reality and worked way better than what other people were doing. There aren't that many people like Lee Kuan Yew that have ever lived. So, of course, I admire him. I have a bust of Lee Kuan Yew in my house. I admire him that much.

Question: *What is the biggest lie currently being perpetuated by the investment complex?*

Charlie Munger: Well, commission-free trading is a very good candidate for that if you want to emphasize disgusting-wise. Commission-free trading is not free.

Question: *Do you think it's best to invest in the common stocks of businesses early or while they are more nascent and the industry is smaller, or wait until they are the clear winner of a more mature industry?*

Charlie Munger: I think Warren and I are better at buying mature industries than we are at backing startups like Sequoia. The best venture capital operation probably in the whole world is Sequoia's and they are very good at this early stage investing. I would hate to compete with Sequoia in their field. I think they'd run rings around me.

So, I think for some folks, early-stage investing is best, and for other folks, what I've done in my life is best.

Question: *Last year, almost every ecommerce, internet, and internet adjacent stock was up 100 plus percent. You've said recently that Sequoia is the greatest investment firm ever. Do you think that digital economy has reached a tipping point such that this time is different and that conventional valuation measures for these types of companies are dead, or does this environment remind you of 1999? How do you reconcile the idea of paying 50 or 60 times revenue for a growing but unprofitable business with the more traditional value investing concept of a margin of safety?*

Charlie Munger: Well, generally speaking, I don't try and compete with Sequoia. You can argue that I got close to Sequoia when with Li Lu we bought into BYD. That was not a startup, but it was so small and thinly traded that we were buying into a venture capital type investment but in the public market.

With that one exception, I've stayed out of Sequoia's business because they're so much better at it than I would be and I don't know how to do it the way they do it.

Question: *Of the various types of moats and competitive advantages, which types do you think will be most important in the years ahead, and what combinations of competitive advantages can you imagine will create any new types of moats?*

Charlie Munger: That's too hard in general a question for me. The one thing I will say is that a lot of the moats that looked impassable, people found a way to displace. Think of all the monopoly newspapers that used to be, in effect, part of the government of the United States. And they're all dying—every damn one of them almost. A lot of the old moats are going away, and, of course, people are creating new moats all the time. That's the nature of capitalism. It's like evolution in biology.

New species are created and old species are dying. Of course, it's hard to negotiate in such a field. But there's no rule that life has to be easy on the mental side. Of course, it's going to be difficult.

Question: *I enjoyed your Caltech interview and wanted you to elaborate and provide more insights on your point of great investors and great chess players. How are they similar or different? Have you seen the television show Queen's Gambit on Netflix?*

Charlie Munger: I have seen an episode or two of the Queen's Gambit.

What I think is interesting about chess is, to some extent, you can't learn it unless you have a certain natural gift. And even if you have a natural gift, you can't be good at it unless you start playing at a very young age and get huge experience. So, it's a very interesting competitive field.

I think people have the theory that any intelligent hardworking person can get to be a great investor. I think any intelligent person can get to be pretty good as an investor and avoid certain obvious traps. But I don't think everybody can be a great investor or a great chess player.

I knew a man once, Henry Singleton, who was not a chess champion. But he could play chess blindfolded at just below the Grandmaster level. But Henry was a genius. And there aren't many people that can do that. And if you can't do that, you're not gonna win the great chess championships of the world and you're not gonna do as well in business as Henry Singleton did.

I think some of these things are very difficult and I think, by and large, it's a mistake to hire investment management—to hire armies of people to make conclusions. You're better off concentrating your decision power on one person the way the Li Lu partnership does and then choose the right person.

I don't think it's easy for ordinary people to become great investors.

Question: *You identified the opportunity in electrification and invested in BYD. How do you think about the hydrogen opportunity for transportation and how does it compare to the electric opportunity, specifically thinking about trucks versus cars. Will we have fewer gas stations or truck stops in the future?*

Charlie Munger: Well, I hope we don't have fewer truck stops because Berkshire Hathaway is deeply involved in truck stops. But, of course, I think there will be more automation in transportation of all kinds in the future.

I don't think I've got any great insight about hydrogen. But I do think having a whole system to sell hydrogen is difficult. On the other hand, the buses in Los Angeles work on natural gas. All the buses. And it has saved Los Angeles a fortune because gas is so much cheaper than gasoline. I've seen the whole bus system shift from gasoline or diesel to gas and so it obviously isn't impossible, but you'd have to create a whole new system of supply for it.

I don't even know how much more difficult—or how much more dangerous—it would be to deal with hydrogen than it is to deal with gasoline which is also a dangerous substance.

You've reached the limit of my circle of competence. I can't help you.

Question: *What would management [of Daily Journal] do with a sudden windfall of profits? How would they think about current opportunities with low rates and low inflation?*

Charlie Munger: Well, it's not easy to handle accumulated money in the current environment when these stocks are so high and partials of real estate of certain kinds are also very inflated. So it's very difficult. And all I can say is that we'll do the best we can.

When it gets difficult, I don't think there's any automatic fix for difficulty. I think when difficulty comes, I expect to have my share.

Question: *Does management, in your opinion, have a moral responsibility to have their shares trade as close to fair value as possible?*

Charlie Munger: I don't think you can make that a moral responsibility. Because if you do that, I'm a moral leper. The daily journal stock sells way above the price I would pay if I was buying new stock. So, no I don't think it's the responsibility of management to assure where the stock sells.

I think management should tell it like it is at all times and not be a big promoter of its own stock.

Question: *In 1999, the year the Daily Journal bought Sustain Technologies, the traditional business employed 355 full-time employees and 61 part-time employees. In 2010, that was down to 165 full-time employees and 15 part-time employees. This year's annual report suggests that the traditional business has 97 full-time employees. Has the quality of the publication suffered as the employment levels have decreased? Or, has the digital revolution caused enormous productivity improvements in those businesses?*

Charlie Munger: Well, of course, the places downsized. They had to because the traditional business newspaper business is shrinking. Gerry, being a sound thinker, you know, did the very unpleasant work of shrinking it appropriately without bothering me or Rick. It showed how wise we were to put him there in the first place.

Has the quality gone down? Well, I don't think the quality of publishing public notice advertising has gone down. But, I hardly think the editorial quality could go way up when employees were going down. My guess is we have suffered some editorial quality. Gerry, you have a comment on that?

Gerald Salzman: There are a number of factors that come into play here. And you mentioned technology—that's very, very important. Many of our systems are in the cloud. All except for the legal advertising system which we had to build because nobody else has the volume that we have. Our editorial system and our advertising system are all in the cloud. Accounting is also in the cloud.

The disruption from the decline in newspapers has had a significant impact. Classified advertising is down significantly. In display advertising, for example, we now utilize a very friendly company that worked with us for 25 years and now they are helping us sell advertising.

Also, fortunately before the pandemic, we got out of the conference-type events and we were not subjected to the problems of no conferences nobody to attend.

When you look at what's happened in California [in terms of] the price of real estate and rentals, we've reduced the number of offices we have both for Journal Technology and for the Daily Journal. It's very difficult to hire reporters in the San Francisco area with all the demands coming from the internet companies wanting to have an editorial product.

All those factors come into play and if you go back a little further, we eliminated California Lawyer magazine and we had one time a newspaper in Seattle and one in Denver. At about the same time, we bought a newspaper in Phoenix and that worked out extremely well. It's difficult to break into the legal advertising system which supports so many newspapers, not only in California but elsewhere.

Charlie Munger: It's very hard to have a shrinking business. Gerry has done magnificently well. It was totally required.

Question: *Do you believe the market is going through a long-term value slump similar to 1999, or do you believe technology has caused a permanent change in how companies should be valued?*

Charlie Munger: I don't know how permanent it's going to be but it certainly caused a change.

Of course, it's hard to know what the future holds when in a complex system where you can't predict a lot of things. Generally, what people do is they have financial reserves so they have some options if trouble comes, and they adapt the way Gerry has to require downsizings or require upsizings.

One of the interesting things about the Daily Journal is that we made all that money in the foreclosure boom. So we were like an undertaker who suddenly got prosperous in a plague year. It's a funny way to make money. That happened because Gerry and I bought these little newspapers all over the state just as a precaution to make sure we could serve public notice advertising wherever it arose in the state.

That turned out to be a wonderful idea and that's one of the reasons we made all this money. So, the shareholders have been lucky to have somebody like Gerry here who could learn what he didn't know and fix it.

Question: *You've spent much of your life contributing your wisdom to schools and hospitals. How would you advise these institutions to manage their endowments over the coming decades?*

Charlie Munger: Well, the one charitable institution where I have had some influence for a very long time has a whole bunch of hotshot financiers in every branch of wealth management there is on the board. And that institution has two assets in its endowment account. One is a big interest in Li Lu's China fund, which is a limited partnership, and the other is a Vanguard index fund. As a result of holding those two positions, we have a lower cost than anybody else and we make more money than practically everybody else. So you now know what I do in charitable institutions.

By the way, that's not the normal outcome in America. The wealth management industry has a crisis on its hands. They really need the world to stay the way it is. And that isn't necessarily right for its customers.

Question: *It is estimated that the Gates Foundation has saved well over 100 million lives. Buffett's donations to the foundation have obviously helped to save many millions. Are Berkshire's managers aware that through their efforts to create business success at Berkshire that they have been involved in saving millions of lives?*

Charlie Munger: I'm sure some are, but, by and large, that's not what Warren is known for. He doesn't mind at all not getting credit for his charitable donations.

Question: *Is the oil and gas industry the new newspapers?*

Charlie Munger: I don't think so. I think the oil and gas industry will be here for a long, long time. As a matter of fact, it will be here for a long, long time if we stop using many hydrocarbons in transportation.

The hydrocarbons are also needed as chemical feedstocks. I don't think that hydrocarbons are going. I'm not saying that oil and gas is going to be a wonderful business but I don't think it's going away. I don't think it's like the newspaper business.

Question: *Do you believe global warming is an existential threat to humankind? If so, how do you think society should address it, especially because poor countries require much more cheap energy to reduce poverty?*

Charlie Munger: Well, of course, it's very hard to fix the global warming problem when the poorer countries need to burn coal to stay alive and so on. So, it's a serious problem. On the other hand, we have a fair amount of time to do it. A rich civilization can afford to do it if we absolutely have to.

If the seas were to rise 60 feet, which could happen in another 100 years or so, we'd have to build enormous barriers to sea entry. Florida would have a really serious problem.

On the other hand, it could be handled. Bill Gates has written a book on this subject recently in which he concludes that it would be expensive but it could be handled. And his conclusion is that mankind should just step up to it and do it. I kind of admire the way Bill takes on these very hard problems. I tend to avoid the ones which I'm not good at and I'm not good at a lot of different problems.

Question: *What books are you currently reading and what can you recommend?*

Charlie Munger: I think I'll skip that one.

Question: *Ben Franklin said: Were it offered to my choice, I should have no objection to a repetition of the same life from its beginning, only asking the advantages authors have in a second edition, to correct some faults of the first. If you were offered a fresh start today, what would you do differently in life and in investing?*

Charlie Munger: Ben Franklin was one of the wisest men who ever lived. And yet he made a lot of mistakes in the course of living his life. Of course, if he had a chance to do it over again, he would avoid those mistakes. We would all say that.

He was very amiable the way he talked about it. But, of course, if we got a chance to do it again, we would do it better. The number of people who ever got a chance to do it again is zero. So it's a very theoretical discussion.

There's an old German proverb I've always liked. It says that man is too soon old and too late smart. That's true whether you're Benjamin Franklin or Joe klutz.

We all live with that problem. We're all pretty forgiving of ourselves too which is probably a good thing.

I wouldn't change my life all that well. I think most people who are assuming tolerable success in life are about as happy as they were ordained to be. They wouldn't be a lot happier if they were richer or a lot less happy if they'd been poor. I think most people are born with a happystat. That happystat has more to do with their happiness and their outcomes in life.

Question: *Your advice given on choosing a good spouse in [Poor Charlie's Almanac](#) is terse. You have said that the single best way is to deserve a good spouse because a good spouse is by definition not nuts. That is true and makes sense. However, could you be more specific? You used examples of Lee Kuan Yew's good judgment in choosing someone with brains over certain physical attributes in your past interview. Could you give more examples both good and bad ones from your personal observations or through vicarious readings?*

Charlie Munger: Well, I can't top Lee Kuan Yew's example. In his early education, he was the second-ranked student in the school. He was that smart. And there was one woman who was a year older than he was who was the first-ranked student in the school. So he married her. Of course, his son, who is a bright man, is now Prime Minister of Singapore.

A little wisdom in spouse selection is very desirable. You can hardly think of a decision that matters more to human felicity than who you marry.

Question: *Given all of your donations to physics, what is your favorite way of applying physics to society's problems and also to investing?*

Charlie Munger: I don't think I use much physics in solving my investment problems but it occasionally helps me.

Occasionally, some damned fool will suggest something that violates the laws of physics and I always turn off my mind the minute I realize the poor bastard doesn't know any physics.

Question: *How important is the analysis of company culture in the investment process?*

Charlie Munger: It's quite important—part of the success of a company like Costco. It's been amazing that one little company starting up not that many decades ago could become as big as

Costco did as fast as Costco did. Part of the reason for that was cultural. They have created a strong culture of fanaticism about cost, quality, efficiency, and honor. All the good things. And, of course, it's all worked. Culture is very important.

Question: You often advocate for learning from other people's big calamities and stupidities. What would be a mistake at the Daily Journal which we can all learn from?

Charlie Munger: Gerry, what's the biggest mistake we've made?

Gerald Salzman: Well, we don't think about mistakes. We take the situation as it is and try to solve it.

Charlie Munger: I can't think of a... We paid high prices for some little companies in the course of trying to enter the court software business. But I don't think that's going to end up with a mistake. God knows it was difficult but I don't think it's a mistake.

I don't think we have made a lot of horrible mistakes. Look around all this real estate. We bought all these buildings cheaply. They're in a place that's gotten more valuable.

I don't think it was a mistake to buy the Daily Journal when we did, paying the price we did. We paid two and a half million for it. We got a dividend of two and a half million shortly thereafter. Everything you see is profit.

I think we've coped pretty well so far.

Question: *If you had a chance to make an addition or revision to [Poor Charlie's Almanac](#), what would that be?*

Charlie Munger: I don't have any wonderful new thoughts. To the extent that my thoughts have helped my life, I think I've pretty well run the course. I don't think I'm likely to have any new thoughts that are going to work miracles either. But, I find that the old ways of doing things still work.

I've been engaged in recent years in trying to create a better type of student dormitory. I find that by working at that, I can actually make some improvements even though I'm old. So, I'm kind of pleased that I'm still functioning at all. I'm not trying to move mountains.

Question: *Do you believe any psychological personality tests, such as the Myers-Briggs Type Indicator, to be of any good in choosing a compatible partner, given that choosing a spouse is probably the most important decision one can make in life. Could you please elaborate on the subject and could you consider giving a talk on this particular subject? The most important decision in life to benefit those who are single, perhaps including some of your grandchildren and great-grandchildren.*

Charlie Munger: Well, you know, I had a failed marriage, so I don't think I'm in the perfect position to advise the young about marriage. No, I don't think I have anything to contribute.

Question: *What have you done to live such a long life? Could you share the secret to living a long, healthy, and happy life?*

Charlie Munger: I think I'm alive because of a lucky genetic accident. I don't think I can teach you how to retroactively get a new accident yourself. Gerry's lived a long time too and I think we both have been lucky. No, I don't have any secrets. I think I would have lived a long time if I had lived a different life.

A *happy* life is very simple.

The first rule of a happy life is low expectations. That's one you can easily arrange. If you have unrealistic expectations, you're going to be miserable all your life. I was good at having low expectations and that helped me.

Also, when you get reverses, if you just suck it in cope, that helps if you don't just fretfully stew yourself into a lot of misery.

There are certain behavioral rules. Rose Blumpkin had quite an effect on the Berkshire culture. She created a business with like 500 depression dollars that became a huge business. You know what her mottoes were? Always tell the truth and never lie to anybody about anything.

Those are pretty good rules and they're pretty simple.

A lot of the good rules of life are like that. They're just very simple. Do it right the first time. That's a really good rule.

Question: *It's been a year since the coronavirus pandemic came to the U.S. What have you all learned about running a business in the past year? Has there been anything that has surprised you, and what would be your best advice to someone starting a business now?*

Charlie Munger: I don't think I have a lot of wonderful advice about starting a business but what you've learned in the pandemic is that we can do with a lot less travel and a lot more Zooming.

When the pandemic is over, I don't think we're going back to just the way things were. I think we're into a lot less travel and a lot more Zooming. I think the world is gonna be quite different.

A lot of the people who are doing this remote work—a lot are going to work three days a week in the office and two days a week at home. A lot of things are going to change. I expect that and I welcome it.

Question: *Can you share some parting thoughts with the viewers who are watching all around the world?*

Charlie Munger: We're really old both of us. And I think both of us have done the same thing; we just suck it in and cope. We don't have any other secrets, do we Jerry?

Gerald Salzman: None. You have to be concerned about employees' lives. That's very, very important. And, for example, here, we must have 30 or 40 deaths. We expect many of our employees to always be at client court offices because we work with them very closely to make sure they get what they need. We do, as Charlie indicates, have a lot of travel. That's been greatly curtailed. And we can't go to many offices because they're closed.

As for some of our technology, like eFiling for example, the courts are closed. We are very excited to look forward to enabling the courts to function as we know that they want to and will in the future.

So, you have to be a little closer to the employees' needs, desires, babysitting, and all those activities that were kind of taken for granted in the past. It doesn't happen anymore. Everybody's got a different situation. Nothing is particularly obvious for everybody to do the same thing. And, we have to function as an informal committee in that we have to bring our employees and our clients together to work out what they already know and how we can help them do a better job—a more efficient job.

So, the people part has changed quite considerably being a small company. We're beholden to the guidelines of the county of Los Angeles and other counties. We have offices in all the major cities in California and also in Logan, Utah. We are subject to the orders and directions of those counties which, before, really didn't impact anything.

Charlie Munger: There's one thing that we're quite passionate about and that is serving the customers who have trusted us. And, we are really interested in doing a good job in Australia, in California, and all the other places where people have trusted us.

You can hardly think of anything more important in life than being reliable for the people who trust you.

We're going to bust our ass to try and do a good job. The Daily Journal shareholders will have to take whatever outcome comes from caring more about our customers than is at all common.

Questions

Question: *In this year's annual letter, you mentioned the share price increase was driven by speculative frenzy and forced index buying. I would imagine that applies to the broad market too. What are the psychological implications of this type of market behavior? What could investors do to cope better with periodical frenzy?*

Charlie Munger: Well, these things do happen in a market economy. You get crazy booms. Remember the Dot Com boom when every little building in Silicon Valley ran into a huge price and a few months later about a third of them were vacant. There are these periods in capitalism. I've been around for a long time and my policy has always been to just write them out. And I think that's what shareholders do.

In fact, what a lot of shareholders actually do is crowd in buying stocks on frenzy—frequently on credit—because they see that they're going up. And, of course, that's a very dangerous way to invest. I think that shareholders should be more sensible and not crowd into stocks and buy them just because they're going up and they like to gamble.

Kipling once wrote a poem called *The Women (The Ladies)* and the concluding line was to the effect that you should learn about women from him instead of doing it yourself, because, he says, I know you won't follow my advice.

Question: *What are Mr. Munger's thoughts on the recent GameStop short squeeze by social media and the resulting implications on short selling in the future? And another shareholder asked: Dear Mr. Munger, please share your thoughts on the recent /r/WallStreetBets GameStop short squeeze. It seems to involve a lot of your standard causes of human misjudgment.*

Charlie Munger: Well, it certainly does and that's the kind of thing that can happen when you get a whole lot of people who are using liquid stock markets to gamble the way they would on embedding on resources.

And that's what we have going in the stock market in a frenzy that's fed by people who are getting commissions and other revenues out of this new bunch of gamblers.

And, of course, when things get extreme you have things like that short squeeze. It's not generally noticed by the public but clearinghouses clear all these trades. And when things get as crazy as they were in the event you're talking about, there are threats of clearinghouse failure. So it gets very dangerous. And it's really stupid to have a culture that encourages as much gambling in stocks by people who have the mindset of race track betters. And, of course, it's going to create trouble as it did.

I have a very simple idea on the subject. I think you should try and make your money in this world by selling other people things that are good for them. And if you're selling them gambling

services where you make profits off of the top, like many of these new brokers who specialize in luring the amateurs in, I think it's a dirty way to make money. And I think that we're crazy to allow it.

Question: *What do you hope the future of the Daily Journal Corporation looks like in a decade?*

Charlie Munger: Well, I certainly hope that they succeed mightily in their software endeavor to automate all these courts for the modern world. And, I think that could happen, but, of course, that's not a sure thing. I hope the newspaper survives too. And that's not a sure thing either.

Question: *The highly configurable JTI product may help e-suites integrate deeply into new jurisdictions as agencies and citizens become familiar with the courthouse software. Today, the majority of contractual revenue that can be identified is from implementations and licenses. What are the main sources of ancillary revenue expected once the products have gone live and how meaningful will the products like eFile-it, ePay-it, cloud hosting services, and others become?*

Charlie Munger: Well, we don't really know where it's all going. We do know one thing and that is that the courts of the whole world are going to be taken into the modern age. And, as Gerry has just said to me just after breakfast, you wouldn't want to invest in a parking lot by a courthouse for the future because an awful lot of the court proceedings are going to go to the internet. This is a highly desirable thing. If you go to a little country like Estonia, the whole damn country is on the internet and it's a very good idea.

So, I think you can count on the fact that what we're doing is going to be a big growing field. That's the good news. The bad news is it's not clear who's gonna win all the business or how much money is going to be made. Generally speaking, people assume that we're a normal software company like Microsoft or something. We are in fact being a more difficult type of software business than Microsoft. When you respond to software by the RFP process, it's a very difficult, demanding business and it's less profitable and less sure than what Microsoft does. We love it anyway. It's doing a big public service.

Question: *We have a couple of questions about J.P. "Rick" Guerin. Would you share a few stories about him and your fondest memory?*

Charlie Munger: Well, he was one of my closest friends for many decades. And, he was very good company and a splendid gentleman. Of course, we accomplished quite a bit working together.

Rick was part of the group which consisted of Warren Buffett, Rick Guerin, and Charlie Munger that bought control of Blue Chip Stamps when it was widely distributed in an anti-trust settlement. We were together in that for a long, long time, and then Rick and I did the Daily Journal together on another occasion.

Rick was always humorous. Always intelligent. I tell a story on Rick that he took the Navy's IQ test and got one of the highest scores ever recorded and left early. That doesn't happen. That's the reason he rose so fast in life. He was just so damn smart.

He was fun to be with because he was always jumping out of airplanes and parachutes and running marathons and so on, doing all kinds of things I would never consider doing. And he was a great kidder. He loved to kid people.

He was very courageous and generous in helping everybody around him all his life. We miss Rick terribly. But he was 90 years of age. He had a long and wonderful run. He was old as I am. When these people go, there is none replacing them. Gerry, can you ever remember Rick down? He was always upbeat.

Gerald Salzman: Always upbeat, yes. And interested and up to speed and didn't have to take a lot of time to get background information to make his comments. Always on point.

Charlie Munger: Well, it helps to be able to leave the IQ test early with the highest score.

Questions: *Now that we are cash flow positive—assuming the software business is investing organically as much as it can—what is the philosophical thinking with respect to capital allocation at the Daily Journal. Are traditional dividends and share repurchases the likely end-state—assuming our software business grows into a bonafide company—or will buying and holding securities from time to time be what the board is comfortable with? Everyone knows this isn't a small cap Berkshire Hathaway. I'm just trying to get a feel for what the long-term capital allocation is.*

Charlie Munger: Well, the business around here that has the most promise is our software business automating the courts. And we're gonna play that as hard as we can. And, we hope to do well in it. [As for] marketable securities, we prefer owning common stocks to holding cash under current conditions and it's kind of an accident that we have so much in marketable securities.

Question: *In recent years, Berkshire Hathaway has provided much greater insight into the company's succession thoughts and has made available at the annual meeting the company's leading managers that will steer Berkshire's future. These actions have given some shareholders more visibility and comfort on their investment. Can you provide similar insight regarding the future at the Daily Journal and would you consider implementing policies like those at Berkshire so shareholders can get to know the up-and-coming leaders in the organization?*

Charlie Munger: Well, the people doing the computer software are doing magnificently well—the people under Gerry: Maryjo and Danny. We hope they'll continue doing magnificently well. But, of course, it's a very difficult field. There's a lot of competition and we're a very small company compared to our main competitor. And so, we can't promise we're going to succeed.

All we can promise is that we're gonna try and so far as I can tell, we're doing pretty well. Gerry, don't you think we're doing pretty well?

Gerald Salzman: I think so, Charlie.

Charlie Munger: I would go further. I don't think Gerry is surprised that the people doing the work—Maryjo and Danny—are doing well. But I'm flabbergasted at how well they're doing.

Gerald Salzman: Charlie refers to the courts, many times. The JTI software has been configured for other judicial and justice agencies, including district attorneys, prosecutors, public defenders, probation, etc. So we have one basic system configured in a number of different ways, including worker's comp for a large state in the United States.

Charlie Munger: It's a huge field in which we have a very interesting toehold with the strongest toeholds in Australia and California. We can't promise what the outcome will be but we are trying pretty hard and we get some favorable impressions of progress. One thing I can promise is that I won't contribute much to it because I don't understand it.

Questions: *Many observers see market behavior that reminds them of the Dot Com bubble: wild speculation, endless SPACs, and IPOs soaring on their first day of trading. Do you agree that there is a close parallel to the late 90s and that this, therefore, "must end badly?"*

Charlie Munger: Yes, I think it must end badly but I don't know when.

Question: *It seems like everyone—including actors, athletes, singers, and politicians—is getting into the business of promoting their own SPAC. What do you think of all of the SPACs and the promoters pushing them?*

Charlie Munger: Well, I don't participate at all. And I think the world would be better off without them. I think this kind of crazy speculation in enterprises not even found or picked out yet is a sign of an irritating bubble. It's just that the investment banking profession will sell shit as long as shit can be sold.

Question: *Last February, you spoke about the wretched excess in the financial system. Given the developments over the past year, could you give us an update on your assessment of wretched excess in the system? Where does it appear most egregious?*

Charlie Munger: Well, it's most egregious in the momentum trading by novice investors lured in by new types of brokerage operations like Robinhood. I think all of this activity is regrettable. I think civilization would do better without it.

You'll remember that when the first big bubble came, which was the South Sea bubble in England back in the 1700s, it created such havoc eventually when it blew up that England didn't

allow hardly any public trading and securities of any companies for decades thereafter. It just created the most unholy mess.

So human greed and the aggression of the brokerage community create these bubbles from time to time. And I think wise people should just stay out of them.

Question: *In your past speeches, you have mentioned the term functional equivalent of embezzlement to describe situations where bubbles can form because both parties involved in a bubble believe the asset to be worth more than it truly is. Can U.S. Treasury bonds be such a case today? And what are the implications, since Treasury assets underpin the value of every other asset? Thank you for all you do to educate us.*

Charlie Munger: Well no, I don't think we have a bubble in Treasury securities. I think they're a bad investment when interest rates are this low. I never buy any and neither does Daily Journal. But, no, I don't think Treasury securities are a big problem.

I do think that we don't know what these artificially low interest rates are going to do or how the economy is going to work in the future as governments print all this extra money. The only opinion I have there is that I don't think anybody knows what's going to happen for sure. Larry Summers has recently been quoted as being worried that we're having too much stimulus. And I don't know whether he's right or not.

Question: *Previously, you have said; It takes character to sit with all that cash and do nothing. I didn't get to where I am by going after mediocre opportunities. In the past few years, equity prices have increased significantly and cash has arguably become riskier due to central banking policy. Have you considered amending this quote or lowering your standards?*

Charlie Munger: I think everybody is willing to hold stocks at higher price-earnings multiples when interest rates are as low as they are now. And so I don't think it's necessarily crazy that good companies sell at way higher multiples than they used to.

On the other hand, as you say, I didn't get rich by buying stocks at high price-earnings multiples in the midst of crazy speculative booms. I'm not going to change. I am more willing to hold stocks at high multiples than I would be if interest rates were a lot lower. Everybody is.

Question: *Do you think value investing is still relevant in a GDP-decreasing world? And, what about passive investing?*

Charlie Munger: Well, that is easy. Value Investing will never go out of style. Because value investing—the way I conceive it—is always wanting to get more value than you pay for when you buy a stock. That approach will never go out of style.

Some people think that value investing is you chase companies that have a lot of cash and they're in a lousy business or something. I don't define that as value investing. I think all good investing is value investing. It's just that some people look for values in strong companies and some look for values in weak companies. Every value investor tries to get more value than he pays for.

What is interesting is that in wealth management, a lot of people think that if they have a hundred stocks they're investing more professionally than they are if they have four or five. I regard this as insanity. Absolute insanity.

I find it much easier to find four or five investments where I have a pretty reasonable chance of being right that they're way above average. I think it's much easier to find five than it is to find a hundred.

I call it deworsification—which I copied from somebody. I'm way more comfortable owning two or three stocks which I think I know something about and where I think I have an advantage.

Question: *Why is Berkshire Hathaway selling shares of Wells Fargo as quickly as one can and the Daily Journal has sold one share? If it's not good enough for Berkshire, shouldn't we have the same standards?*

Charlie Munger: Well, I don't think it's required that we be exactly the same on everything. We have different tax considerations. There's no question about the fact that Wells Fargo has disappointed long-term investors like Berkshire because the old management—which is now removed—were not consciously malevolent or thieving but they had terrible judgment in having a culture of cross-selling where the incentives on the poorly paid employees were too great to sell stuff that customers didn't really need. And when the evidence came in that the system wasn't working very well because some of the employees were cheating some of the customers, they came down hard on the customers instead of changing the system. That was a big error in judgment. And, of course, it's regrettable.

So, you can understand why Warren got disenchanted with Wells Fargo. I think I'm a little more lenient. I expect less out of bankers than he does.

Question: *What is the wisdom behind holding bank stocks compared to other stocks. Are they more stable?*

Charlie Munger: Well, I think all stocks can fluctuate. I do think banking run intelligently is a very good business. But, a very wise man said on an earlier occasion: The trouble with banking is that we have more banks than we have bankers.

The kind of executives who have a Buffett-like mindset and never get in trouble are a minority group, not a majority group. It's hard to run a bank intelligently. There's a lot of temptation to do dumb things which will make the earnings next quarter go up but are bad for the long term.

And some bankers yield to the temptations. It's difficult, but it's not impossible investing in bank stocks successfully.

Question: *What is the biggest competitive threat to U.S. banks like Bank of America and US Bank—both equity holdings of the Daily Journal Corporation—over the long term? Is it digital wallets like PayPal, Square, or Apple Pay? Is it Bitcoin, decentralized finance, or something else?*

Charlie Munger: Well, I don't think I know exactly what the future of banking is and I don't think I know how the payment system will evolve. I do think that a properly run bank is a great contributor to civilization and that the central banks of the world like controlling their own banking system and their own money supplies.

So, I don't think Bitcoin is going to end up as the medium of exchange for the world. It's too volatile to serve well as a medium of exchange. It's really kind of an artificial substitute for gold, and since I never buy any gold, I never buy any Bitcoin. I recommend that other people follow my practice. Bitcoin reminds me of what Oscar Wilde said about fox hunting. He said it was the pursuit of the uneatable by the unspeakable.

Question: *Has your opinion on cryptocurrencies remained the same? And would the Daily Journal consider Bitcoin or any other cryptocurrency as an asset on the balance sheet similar to what Tesla recently did?*

Charlie Munger: We will not be following Tesla into bitcoin.

Question: *BYD is in the Daily Journal stock portfolio with a very big paper gain. The stock has gained so much this year and last year. The stock appreciated probably way more than intrinsic value. How do you decide to hold on to a stock or sell some?*

Charlie Munger: Well, that's a very good question. BYD stock did nothing for the first five years we held it. Last year it quintupled. What happened is that BYD is very well positioned for the transfer of Chinese automobile production from gasoline-driven cars to electricity-driven cars. You can imagine it's in a wonderful position and that excited the people in China which has its share of crazy speculators. And so, the stock went way up.

We admire the company and like its position. And we pay huge taxes to a combination of the federal government and the state of California when we sell something. On balance, we hold in certain of these position when, normally, we wouldn't buy a new position. Practically everybody does that.

One of my smartest friends in venture capital is constantly getting huge clumps of stocks at nosebleed prices. And what he does is he sells about half of them always. That way, whatever happens, he feels smart. I don't follow that practice but I don't criticize it either.

Question: *Do you believe the valuations for electric car manufacturers are in bubble territory? Both Berkshire and Li Lu own BYD Company which you spoke highly of in the past. BYD sells at nearly 200 P/E. This is cheap compared to Tesla currently valued at over 1100 times P/E and 24 times sales. I know Berkshire is a long-term owner and rarely sells securities of high-quality companies it owns in its portfolio simply because it's overvalued. For example, Coca-Cola in the past. However, is there a price too high that the company's future profits simply cannot justify? And since we are on the subject of selling potentially overvalued security, could you provide your systems for selling securities?*

Charlie Munger: Well, I so rarely hold a company like BYD that goes to a nosebleed price that I don't think I've got a system yet. I'm just learning as I go along. I think you can count on the fact that if we really like the company and we like the management—and that is the way we feel about BYD—we're likely to be a little too loyal. I don't think we'll change on that.

Question: *Why, almost two years ago, did you believe that Costco was the only U.S. stock worth buying? And why did you feel that Amazon had more to fear from Costco than Costco had to fear from Amazon? And if you believe Jeff Bezos is one of the best businessmen you have ever known, would you consider investing early in any of the new projects he will inevitably focus his attention on now that he will not have to be as concerned about the day to day responsibilities of Amazon?*

Charlie Munger: I'm a great admirer of Jeff Bezos whom I consider one of the smartest businessmen who ever lived. But I won't be following him. We have our crotchets and I just don't know enough about it to want to go into that activity. When you get into these hard questions, there's a lot of very intelligent honorable people who reach opposite conclusions.

Costco I do think has one thing that Amazon does not. People really trust Costco will be delivering enormous value. And that is why Costco presents some danger to Amazon. They've got a better reputation for providing value than practically anybody, including Amazon.

Question: *How do you control your investments in a world where reasonable companies with a good image like General Electric sink rapidly into the bottomland of the stock market. How do you recognize a potential downfall in a company you hold/invest in? Or, is it impossible to realize a deterioration quickly enough to exit without a loss?*

Charlie Munger: Well, I never owned a share of General Electric because I didn't like the culture. And, I was not surprised when it blew up. I do think the present CEO is an extraordinarily able man and the directors made a very wise choice when they put him in charge. And I think the directors of GE deserve a lot of credit for making Larry Culp the CEO. If anybody can fix it, he can.

Question: *You famously run investments through your mental checklist. Is there anything that you wish you had added to your checklist sooner?*

Charlie Munger: Well, I'm constantly making mistakes where I can, in retrospect, realize that I should have decided differently. And I think that that is inevitable because it's difficult to be a good investor.

I'm pretty easy on myself these days. I'm satisfied with the way things have worked out and I'm not gnashing my teeth when other people are doing better.

I think that the methods that I've used including the checklists are the correct methods and I'm grateful that I found them as early as I did and that the methods have worked as well as they have. I recommend that other people follow my example.

It reminds me of the key phrase and Bunyan's Pilgrim's Progress in which he says: My sword I leave to him who can wear it. I'm afraid that's the way we all have to leave our swords.

Question: *You and Warren have been adept at quickly sizing people up, particularly business leaders and potential business partners. What do you look for in a leader? And do you and Warren have any tricks or shortcuts to size people up quickly and accurately?*

Charlie Munger: Well, of course, if a person is a chronic drunk, we avoid him. Everybody has shortcuts to screen out certain hazards. And we probably have more of those shortcuts than others. They've served us well over the years.

One of the great advantages of the way Berkshire operates is that we associate with a lot of marvelous people. And if you stop to think about it, that is also true at the Daily Journal.

What little newspaper company has come through the crisis of this destroying of all the newspapers better than the little Daily Journal? And we've had marvelous people here to help us do it through very difficult times and one of them is Gerry Salzman.

Gerry and I have been together, how many years Gerry?

Gerald Salzman: Early 70s.

Charlie Munger: Early 70s. And it's rather interesting. I recognized early that Gerry could run anything he wanted to run. And when the old CEO of the Daily Journal died, Gerry was managing the business affairs of the Munger Tolles law firm. But he previously worked for Rick Guerin and me in running a little mutual fund that we bought control of. And he made a very favorable impression.

I said to Rick, we're going to make Gerry the head of the Daily Journal. He gasped and said, but he's never had anything to do with newspapers or anything else. I said it won't matter. He'll be able to do it. And we immediately ascended, we put Gerry in, and he's made every decision wonderfully ever since. That's our system.

Tom Murphy used to say that his system of management was to delegate just short of total abdication. And that's the way we handled Gerry.

Question: *Which do you think is crazier? Bitcoin at 50,000 or Tesla's fully diluted enterprise value of 1 trillion. What do you make of these two pricings?*

Charlie Munger: Well, I have the same difficulty that Samuel Johnson once had when he got a similar question. And he said; I can't decide the order of presidency between a flea and a louse.

I feel the same way about those choices. I don't know which is worse.

Question: *Should there be a tax on buying stock now that Robinhood trades are free?*

Charlie Munger: Robinhood trades are not free. When you pay for order flow, you're probably charging your customers more and pretending to be free. It's a very dishonorable low-grade way to talk. Nobody should believe that Robinhood's trades are free.

Question: *My question concerns China. In 1860, GDP per capita in China was 600. In 1978, the year Deng Xiaoping took over, it was 300. Today, it hovers around 9500. Never before in the history of mankind have we seen such a rapid eradication of poverty, pulling approximately 800 million people out of destitution. You are on record as a zealous fan of the Chinese work ethic and Confucian value system. As we can see from the deteriorating U.S. relationship with China, the Western world does not understand China. What can we do to increase knowledge, understanding, and appreciation of the Chinese civilization?*

Charlie Munger: Well, it's natural for people to think their own civilization and their own nation are better than everybody else. But everybody can't be better than everybody else.

You're right. China's economic record among the big nations is the best that ever existed in the history of the world. And that's very interesting.

A lot of people assume that since England led the Industrial Revolution and had free speech early that free speech is required to have a booming economy as prescribed by Adam Smith. But the Chinese have proved that you don't need free speech to have a wonderful economy. They just copied Adam Smith and left out the free speech and it worked fine for them.

As a matter of fact, it's not clear to me that China would have done better if they'd copied every aspect of English civilization. I think they would have come out worse because their position was so dire and the poverty was so extreme, they needed very extreme methods to get out of the fix they were in. So I think what China has done was probably right for China and that we shouldn't be so pompous as to be telling the Chinese they ought to behave like us because we like ourselves and our system. It's entirely possible that our system is right for us and their system is right for them.

Question: *Mr. Munger is a champion of Chinese stocks. How concerned is he about Chinese government interference as seen recently with Ant Financial, Alibaba, and Mr. Jack Ma. What, for example, is to stop the Chinese government from simply deciding one day to nationalize BYD?*

Charlie Munger: Well, I consider that very unlikely. And, I think Jack Ma was very arrogant to be telling the Chinese government how dumb they were, how stupid their policies were, and so forth. Considering their system, that is not what he should have been doing.

I think the Chinese have behaved very shrewdly in managing their economy and they've gotten better results than we have in managing our economy. I think that that will probably continue.

Sure, we all love the kind of civilization we have. I'm not saying I wanted to live in China. I prefer the United States. But I do admire what the Chinese have done. How can you not? Nobody else has ever taken a big country out of poverty so fast and so on.

What I see in China now just staggers me. There are factories in China that are just absolutely full of robots and are working beautifully.

They're no longer using peasant girls to beat the brains out of our little shoe companies in America. They are joining the modern world very rapidly and they're getting very skillful at operating.

Question: *It seems likely that the current Fed policy of keeping interest rates near zero will only exacerbate the income disparity in this country by benefiting those who own the financial assets. What do you think we can do to help those who are currently falling behind as a result of this pandemic?*

Charlie Munger: It's hard to know what exact macroeconomic policy is correct. No one knows for sure just how much government intervention is wise and at what point the government should stop intervening.

I don't think we have any great gift at making macroeconomic predictions. I think that to some extent the complaint about the rich getting richer as a result of the COVID panic is a misplaced concern. Nobody was trying to make the rich richer. We were trying to save the whole economy under terrible conditions. And I think, by and large, we made the most practical decisions that were available to us.

We made the rich richer, not as a deliberate choice, but because it was an accidental byproduct of trying to save the whole civilization. And it was probably wise that we acted exactly as we did. It wasn't some malevolence of the rich that caused it. It was an accident. And the next time around the poor will get richer faster than the rich. That thing circulates.

Who gets rich faster by class is going to vary over time and I don't think anybody should be too concerned by it. As a matter of fact, what happens is to make a nation rich, you need a free market system. And if you have a free market system that's trying to get rich in the way recommended by Adam Smith, what happens is that it's a very irritating system because the poverty that causes so much misery is also causing the growth that makes everybody get out of poverty. In other words, to some extent, it's a self-correcting system. That makes the whole thing very awkward. And it's a shame that the economics textbooks don't emphasize how much a growing economy needs poverty in order to get out of poverty. If you try and reduce the poverty too much, it's counterproductive. These are very difficult questions and most people assume that it's simple. If we could make the world richer by just raising the minimum wage to \$100,000 a second or something, of course we would do it but. But we can't.

Question: *Mr. Munger recently raised the alarm about the level of money printing taking place. What are his thoughts on modern monetary theory?*

Charlie Munger: Modern monetary theory means that people are less worried about an inflationary disaster like Weimar Germany from government printing of money and spending it. So far the evidence would be that maybe the monetary modern monetary theory is right. Put me down as skeptical. I don't know the answer.

Question: *The Federal Reserve appears to be supporting asset prices. Do you think this is a worthwhile policy objective given the effect it has on creating financial excesses and income inequality? What do you think the long-term consequences will be?*

Charlie Munger: Well, I don't know how well the economy's doing to work in the future. And I don't think that we or the Daily Journal is getting ahead because we've got some wonderful macroeconomic insight.

I do think that I'm way less afraid of inequality than most people who are bleeding about it. I think that inequality is absolutely an inevitable consequence of having the policies that make a nation grow richer and richer and elevate the poor. So, I don't mind a little inequality and what I notice is that the rich families generally lose their power and wealth—and pretty fast. So I don't worry that the country is being ruined by a few people over getting ahead a little faster than the rest of us.

I think the Chinese were very smart. Imagine a bunch of Chinese communists turning a whole lot of Chinese and the billionaires in a big hurry. And what did the Chinese communists do with respect to death taxes? The death tax in China is zero. That's what the communists are doing. I think they're probably right, by the way.

Question: *Many believe that inequality accelerated by this pandemic has reached alarming levels that demand drastic solutions such as a wealth tax. Do you agree with the premise and if so how would you address inequality?*

Charlie Munger: I think any rich nation ought to have a social safety net that expands a little with its wealth. That's what we've been doing throughout my whole lifetime. And I applaud the result. I think the result would have been worse if either party had been in control all by itself for the whole period. In other words, I think the system of checks and balances and elections that our founders gave us actually gave us pretty much the right policies during my lifetime. I hope that that will continue in the future. But I do think politics is getting more full of hatred and irrationality than it used to be in America and I don't think that's good.

Questions: *Many major businesses and high net worth individuals have been leaving California. Can you speak to the causes, the trend, and make some predictions?*

Charlie Munger: Yes, I think that is rising as we sit here. I just see more and more of the rich people leaving. And, of course, I think it's vastly stupid for any state to be user-friendly to the rich people. They do way more good than harm. They lose their money fast enough. You don't need to worry about them.

Washington State is actually considering a wealth tax at the state level. I think that would be insanity. I predict that if they do that, a lot of people will leave Washington.

Question: *With all the work from home with Zoom and other technology, what do you think the future of commercial real estate looks like?*

Charlie Munger: Real estate has always been a difficult field. And some types of real estate in recent years has been particularly difficult. I think office buildings are now in some trouble and, of course, commercial real estate rented to stores has been in a lot of trouble for a long time. Apartments have come through better. But, I don't think I've got a lot to contribute. I own some apartment houses, so I like that investment, provided you've got a perfect management which is hard to get.

Question: *I was wondering if you could share some thoughts on Haven, particularly why it was ultimately closed. What were the lessons learned?*

Charlie Munger: I don't know anything about Haven. Give me a new question.

Question: *You've said several times that the best way to learn about business is to study the multi-decade financial results of great companies. You've even said business schools that don't adopt this method are doing their students a disservice. Would you mind elaborating on how a professor or individual should go about building a curriculum around this approach? What, for example, would you recommend as course materials?*

Charlie Munger: Well, here's what I meant. By the way, the Harvard Business School, when it started out way early, they started out with a history of the business. They'd take you through the building of the canals and the building of the railroads and so on and so on. You saw the ebb and flow of industry and the creative destruction of the economic changes and so on. It

was a background that helped everybody. And, of course, what I'm saying is that if I were teaching business I would start the way Harvard Business School did a long time ago.

I think they stopped because if you taught that course, you'd be stealing the best cases from the individual professors of marketing and so on and so on. And I just think it was academically inconvenient for them. But, of course, you should start out by studying the history of capitalism, how it worked, and why before you start studying business. And they don't do that very well—I'm talking about the business schools.

If you stop to think about it, business success long term is a lot like biology. And in biology, what happens is the individuals all die, and eventually, so do all the species. Capitalism is almost as brutal as that. Think of what's died in my lifetime. Just think of the things that were once prosperous that are now in failure or gone. Whoever dreamed when I was young that Kodak and General Motors would go bankrupt. You know, it's just, it's incredible what's happened in terms of the destruction. Of course, that history is useful to know.

Question: *[The questioner] quotes a commencement address you gave in 2007 at USC Law School. I'll paraphrase here. If a civilization can progress only when it invents the method of invention, you can only progress when you learn the method of learning. I was very lucky. I came to law school having learned the method of learning and nothing has served me better in my long life than continuous learning. [The questioner] would like to know what Charlie's method of learning is.*

Charlie Munger: I think I had the right temperament. When people gave me a good idea and I could see it was a good idea, I quickly mastered it and started using it for the rest of my life. You'd say that everybody does that in their education but I don't think everybody does. It's such a simple idea.

Without the method of learning, you're like a one-legged man in an ass-kicking contest. It's just not gonna work.

Take Gerry. Do you think the Daily Journal would have hundreds of millions of marketable securities now if Gerry didn't know how to learn something new? He didn't know one damn thing about the Daily Journal when we made him head of it. But he knew how to learn what he didn't know. Of course, that's a useful thing. And by the way, I think it's hard to teach. I think it's just to some extent you either have it or you don't.

Questions: *Why are some people incapable of learning new ideas and behaviors?*

Charlie Munger: It's partly culture but a lot of it is just born in and it's a quirk. Some people have a natural trend toward good judgment, and with other people, their life is just a series of mistakes over and over again.

Question: *You have revised your famous talk on the standard causes of human misjudgment with considerable new material back in 2005. Now 16 years have passed. Is there any new material?*

Charlie Munger: No, I would say that... of course, there's some new material in misjudgment. But, but by and large, most of the knowledge has been available for a long time.

What prevents the wide use of helpful psychological insight is the fact that psychology gets really useful when you integrate it with all other knowledge. But they don't teach that in the psychology department because the academic system rewards little experiments that develop more insight into psychological tendencies instead of synthesizing what's already been discovered with the rest of knowledge. The psychology professors don't know all that much about the rest of knowledge and they have no incentive to master it. If you don't have master the rest of the knowledge you can't synthesize it with psychology. That's an interesting example of self-learning.

When I saw that psychology was necessary and I didn't have it, I didn't just learn the little tendencies well enough to get A's in psychology. I learned those tendencies well enough to synthesize it with the rest of knowledge. And that's the right way to do it. But show me a psychology department that knows how to do that. It's one of the most ignorant professions in the world.

Question: *Charlie, you are known as an advocate for learning from one's mistakes. What can you learn from the Barry "Dutton's" bookstore building deal in Brentwood and how would you apply that new knowledge or experience in the future?*

Charlie Munger: I think I've learned to avoid zoning work. When I was young, I rezoned some properties very successfully. And I was like Rip Van Winkle; when I tried to come back to it, I found that the world had changed. And I don't think you'll find me engaged in the massive rezonings in the future.

Question: *What advice would you give to someone who is trying to stay within their circle of competence but finding that the pace of technical technological innovation is rapidly reducing that circle?*

Charlie Munger: Well, of course, if they bring in a brand new technology you don't understand at all, you're at something of a disadvantage. And my advice would be if you have a fixable disadvantage, remove it. And if it's unfixable, learn to live without it. What else can you do?

You fix what you can fit, and what you can't fix, you endure.

Question: *You are one of the oldest and greatest thinkers of our time. Any tips for someone who wants to work on and improve their ability to hold two opposing views at the same time? Any tips on how to generate insight in these types of situations?*

Charlie Munger: Well, I do have a tip. At times in my life, I have put myself to a standard that I think has helped me: I think I'm not really equipped to comment on this subject until I can state the arguments against my conclusion better than the people on the other side. If you do that all the time; if you're looking for disconfirming evidence and putting yourself on a grill, that's a good way to help remove ignorance.

What happens is that every human being tends to believe way more than he should in what he's worked hard to find out or where he's announced publicly that he already believes. In other words, when we shout our knowledge out, we're really pounding it out. We're not enlarging it. And, I was always aware of that and so I've accepted these damned annual meetings. I've been pretty quiet.

Question: *Eugene Abegg seems like he was one of the best bankers of the last century, achieving both extremely low loan loss rates and earning around 2% on assets over a long time period. I think the bankers of today could learn a lot from Eugene, but little is known of him. How did Eugene achieve incredibly low loan losses over the long term while so many other bankers have failed miserably?*

Charlie Munger: Well that's an easy one. He was a very smart man. He lived in a particular town. He knew everybody and everything. He had excellent judgment. He cared terribly about not making bad loans or incurring dumb expenses. So he was just a perfect banker if you wanted never to have any trouble.

Of course, it really helped to know everybody in town. If I had stayed in Omaha, where I was raised, and gotten into the banking business, I would have been a hell of a good banker. Because even as a boy, I knew a lot about who was sound who wasn't sound in Omaha. And that's the way Eugene was in his community.

Furthermore, he'd gone through the Great Depression. He'd been a receiver for a bank. Of course, that made him very leery of dumb loans. And, of course, he hated costs. He was just a very old-fashioned sound thinker.

Of course, that will still work. But it's hard for anybody. He really knew everything you had to do to avoid credit losses in a small town in Illinois.

Question: *Charlie, you have been a long-time admirer of Singapore and Lee Kuan Yew. You once said to study the life and work of Lee Kuan Yew. You are going to be flabbergasted. I would be curious to know how you started your interest in Singapore and Lee Kuan Yew. Have you met Lee Kuan Yew in person? And if there is one thing the world could learn from Singapore, what would that be?*

Charlie Munger: Well, Lee Kuan Yew had the best record as a nation builder. If you're willing to count small nations in the group, he had probably the best record that ever existed in the

history of the world. He took over a malarial swamp with no army, no nothing. And, pretty soon, he turned that into this gloriously prosperous place.

His method for doing it was so simple. The mantra he said over and over again is very simple. He said, figure out what works and do it. Now, it sounds like anybody would know that made sense. But you know, most people don't do that. They don't work that hard at figuring out what works and what doesn't. And they don't just keep everlastingly at it the way he did.

He was a very smart man and he had a lot of good ideas. He absolutely took over a malarial swamp and turned it into modern Singapore—in his own lifetime. It was absolutely incredible.

He was a one party system but he could always be removed by the electorate. He was not a dictator. And he was just so good. He was death on corruption which was a very good idea. There's hardly anything he touched he didn't improve.

When I look at the modern Singapore health system, it costs 20% of what the American system costs. And, of course, it works way better than our medical system. That's entirely due to the practical talent of Lee Kuan Yew. Just time after time, he would choose the right system.

In Singapore, you get a savings account the day you're born. If you don't spend the money, you and your heirs get to spend it eventually. In other words, it's your money. So, to some extent, everybody buying medical services in Singapore is paying for it themselves. Of course, people behave more sensibly when they're spending their own money.

Just time after time he would do something like that. That recognized reality and worked way better than what other people were doing. There aren't that many people like Lee Kuan Yew that have ever lived. So, of course, I admire him. I have a bust of Lee Kuan Yew in my house. I admire him that much.

Question: *What is the biggest lie currently being perpetuated by the investment complex?*

Charlie Munger: Well, commission-free trading is a very good candidate for that if you want to emphasize disgusting-wise. Commission-free trading is not free.

Question: *Do you think it's best to invest in the common stocks of businesses early or while they are more nascent and the industry is smaller, or wait until they are the clear winner of a more mature industry?*

Charlie Munger: I think Warren and I are better at buying mature industries than we are at backing startups like Sequoia. The best venture capital operation probably in the whole world is Sequoia's and they are very good at this early stage investing. I would hate to compete with Sequoia in their field. I think they'd run rings around me.

So, I think for some folks, early-stage investing is best, and for other folks, what I've done in my life is best.

Question: *Last year, almost every ecommerce, internet, and internet adjacent stock was up 100 plus percent. You've said recently that Sequoia is the greatest investment firm ever. Do you think that digital economy has reached a tipping point such that this time is different and that conventional valuation measures for these types of companies are dead, or does this environment remind you of 1999? How do you reconcile the idea of paying 50 or 60 times revenue for a growing but unprofitable business with the more traditional value investing concept of a margin of safety?*

Charlie Munger: Well, generally speaking, I don't try and compete with Sequoia. You can argue that I got close to Sequoia when with Li Lu we bought into BYD. That was not a startup, but it was so small and thinly traded that we were buying into a venture capital type investment but in the public market.

With that one exception, I've stayed out of Sequoia's business because they're so much better at it than I would be and I don't know how to do it the way they do it.

Question: *Of the various types of moats and competitive advantages, which types do you think will be most important in the years ahead, and what combinations of competitive advantages can you imagine will create any new types of moats?*

Charlie Munger: That's too hard in general a question for me. The one thing I will say is that a lot of the moats that looked impassable, people found a way to displace. Think of all the monopoly newspapers that used to be, in effect, part of the government of the United States. And they're all dying—every damn one of them almost. A lot of the old moats are going away, and, of course, people are creating new moats all the time. That's the nature of capitalism. It's like evolution in biology.

New species are created and old species are dying. Of course, it's hard to negotiate in such a field. But there's no rule that life has to be easy on the mental side. Of course, it's going to be difficult.

Question: *I enjoyed your Caltech interview and wanted you to elaborate and provide more insights on your point of great investors and great chess players. How are they similar or different? Have you seen the television show Queen's Gambit on Netflix?*

Charlie Munger: I have seen an episode or two of the Queen's Gambit.

What I think is interesting about chess is, to some extent, you can't learn it unless you have a certain natural gift. And even if you have a natural gift, you can't be good at it unless you start playing at a very young age and get huge experience. So, it's a very interesting competitive field.

I think people have the theory that any intelligent hardworking person can get to be a great investor. I think any intelligent person can get to be pretty good as an investor and avoid certain obvious traps. But I don't think everybody can be a great investor or a great chess player.

I knew a man once, Henry Singleton, who was not a chess champion. But he could play chess blindfolded at just below the Grandmaster level. But Henry was a genius. And there aren't many people that can do that. And if you can't do that, you're not gonna win the great chess championships of the world and you're not gonna do as well in business as Henry Singleton did.

I think some of these things are very difficult and I think, by and large, it's a mistake to hire investment management—to hire armies of people to make conclusions. You're better off concentrating your decision power on one person the way the Li Lu partnership does and then choose the right person.

I don't think it's easy for ordinary people to become great investors.

Question: *You identified the opportunity in electrification and invested in BYD. How do you think about the hydrogen opportunity for transportation and how does it compare to the electric opportunity, specifically thinking about trucks versus cars. Will we have fewer gas stations or truck stops in the future?*

Charlie Munger: Well, I hope we don't have fewer truck stocks because Berkshire Hathaway is deeply involved in truck stops. But, of course, I think there will be more automation in transportation of all kinds in the future.

I don't think I've got any great insight about hydrogen. But I do think having a whole system to sell hydrogen is difficult. On the other hand, the buses in Los Angeles work on natural gas. All the buses. And it has saved Los Angeles a fortune because gas is so much cheaper than gasoline. I've seen the whole bus system shift from gasoline or diesel to gas and so it obviously isn't impossible, but you'd have to create a whole new system of supply for it.

I don't even know how much more difficult—or how much more dangerous—it would be to deal with hydrogen than it is to deal with gasoline which is also a dangerous substance.

You've reached the limit of my circle of competence. I can't help you.

Question: *What would management [of Daily Journal] do with a sudden windfall of profits? How would they think about current opportunities with low rates and low inflation?*

Charlie Munger: Well, it's not easy to handle accumulated money in the current environment when these stocks are so high and partials of real estate of certain kinds are also very inflated. So it's very difficult. And all I can say is that we'll do the best we can.

When it gets difficult, I don't think there's any automatic fix for difficulty. I think when difficulty comes, I expect to have my share.

Question: *Does management, in your opinion, have a moral responsibility to have their shares trade as close to fair value as possible?*

Charlie Munger: I don't think you can make that a moral responsibility. Because if you do that, I'm a moral leper. The daily journal stock sells way above the price I would pay if I was buying new stock. So, no I don't think it's the responsibility of management to assure where the stock sells.

I think management should tell it like it is at all times and not be a big promoter of its own stock.

Question: *In 1999, the year the Daily Journal bought Sustain Technologies, the traditional business employed 355 full-time employees and 61 part-time employees. In 2010, that was down to 165 full-time employees and 15 part-time employees. This year's annual report suggests that the traditional business has 97 full-time employees. Has the quality of the publication suffered as the employment levels have decreased? Or, has the digital revolution caused enormous productivity improvements in those businesses?*

Charlie Munger: Well, of course, the places downsized. They had to because the traditional business newspaper business is shrinking. Gerry, being a sound thinker, you know, did the very unpleasant work of shrinking it appropriately without bothering me or Rick. It showed how wise we were to put him there in the first place.

Has the quality gone down? Well, I don't think the quality of publishing public notice advertising has gone down. But, I hardly think the editorial quality could go way up when employees were going down. My guess is we have suffered some editorial quality. Gerry, you have a comment on that?

Gerald Salzman: There are a number of factors that come into play here. And you mentioned technology—that's very, very important. Many of our systems are in the cloud. All except for the legal advertising system which we had to build because nobody else has the volume that we have. Our editorial system and our advertising system are all in the cloud. Accounting is also in the cloud.

The disruption from the decline in newspapers has had a significant impact. Classified advertising is down significantly. In display advertising, for example, we now utilize a very friendly company that worked with us for 25 years and now they are helping us sell advertising.

Also, fortunately before the pandemic, we got out of the conference-type events and we were not subjected to the problems of no conferences nobody to attend.

When you look at what's happened in California [in terms of] the price of real estate and rentals, we've reduced the number of offices we have both for Journal Technology and for the Daily Journal. It's very difficult to hire reporters in the San Francisco area with all the demands coming from the internet companies wanting to have an editorial product.

All those factors come into play and if you go back a little further, we eliminated California Lawyer magazine and we had one time a newspaper in Seattle and one in Denver. At about the same time, we bought a newspaper in Phoenix and that worked out extremely well. It's difficult to break into the legal advertising system which supports so many newspapers, not only in California but elsewhere.

Charlie Munger: It's very hard to have a shrinking business. Gerry has done magnificently well. It was totally required.

Question: *Do you believe the market is going through a long-term value slump similar to 1999, or do you believe technology has caused a permanent change in how companies should be valued?*

Charlie Munger: I don't know how permanent it's going to be but it certainly caused a change.

Of course, it's hard to know what the future holds when in a complex system where you can't predict a lot of things. Generally, what people do is they have financial reserves so they have some options if trouble comes, and they adapt the way Gerry has to require downsizings or require upsizings.

One of the interesting things about the Daily Journal is that we made all that money in the foreclosure boom. So we were like an undertaker who suddenly got prosperous in a plague year. It's a funny way to make money. That happened because Gerry and I bought these little newspapers all over the state just as a precaution to make sure we could serve public notice advertising wherever it arose in the state.

That turned out to be a wonderful idea and that's one of the reasons we made all this money. So, the shareholders have been lucky to have somebody like Gerry here who could learn what he didn't know and fix it.

Question: *You've spent much of your life contributing your wisdom to schools and hospitals. How would you advise these institutions to manage their endowments over the coming decades?*

Charlie Munger: Well, the one charitable institution where I have had some influence for a very long time has a whole bunch of hotshot financiers in every branch of wealth management there is on the board. And that institution has two assets in its endowment account. One is a big interest in Li Lu's China fund, which is a limited partnership, and the other is a Vanguard index fund. As a result of holding those two positions, we have a lower cost than anybody else and we

make more money than practically everybody else. So you now know what I do in charitable institutions.

By the way, that's not the normal outcome in America. The wealth management industry has a crisis on its hands. They really need the world to stay the way it is. And that isn't necessarily right for its customers.

Question: *It is estimated that the Gates Foundation has saved well over 100 million lives. Buffett's donations to the foundation have obviously helped to save many millions. Are Berkshire's managers aware that through their efforts to create business success at Berkshire that they have been involved in saving millions of lives?*

Charlie Munger: I'm sure some are, but, by and large, that's not what Warren is known for. He doesn't mind at all not getting credit for his charitable donations.

Question: *Is the oil and gas industry the new newspapers?*

Charlie Munger: I don't think so. I think the oil and gas industry will be here for a long, long time. As a matter of fact, it will be here for a long, long time if we stop using many hydrocarbons in transportation.

The hydrocarbons are also needed as chemical feedstocks. I don't think that hydrocarbons are going. I'm not saying that oil and gas is going to be a wonderful business but I don't think it's going away. I don't think it's like the newspaper business.

Question: *Do you believe global warming is an existential threat to humankind? If so, how do you think society should address it, especially because poor countries require much more cheap energy to reduce poverty?*

Charlie Munger: Well, of course, it's very hard to fix the global warming problem when the poorer countries need to burn coal to stay alive and so on. So, it's a serious problem. On the other hand, we have a fair amount of time to do it. A rich civilization can afford to do it if we absolutely have to.

If the seas were to rise 60 feet, which could happen in another 100 years or so, we'd have to build enormous barriers to sea entry. Florida would have a really serious problem.

On the other hand, it could be handled. Bill Gates has written a book on this subject recently in which he concludes that it would be expensive but it could be handled. And his conclusion is that mankind should just step up to it and do it. I kind of admire the way Bill takes on these very hard problems. I tend to avoid the ones which I'm not good at and I'm not good at a lot of different problems.

Question: *What books are you currently reading and what can you recommend?*

Charlie Munger: I think I'll skip that one.

Question: *Ben Franklin said: Were it offered to my choice, I should have no objection to a repetition of the same life from its beginning, only asking the advantages authors have in a second edition, to correct some faults of the first. If you were offered a fresh start today, what would you do differently in life and in investing?*

Charlie Munger: Ben Franklin was one of the wisest men who ever lived. And yet he made a lot of mistakes in the course of living his life. Of course, if he had a chance to do it over again, he would avoid those mistakes. We would all say that.

He was very amiable the way he talked about it. But, of course, if we got a chance to do it again, we would do it better. The number of people who ever got a chance to do it again is zero. So it's a very theoretical discussion.

There's an old German proverb I've always liked. It says that man is too soon old and too late smart. That's true whether you're Benjamin Franklin or Joe klutz.

We all live with that problem. We're all pretty forgiving of ourselves too which is probably a good thing.

I wouldn't change my life all that well. I think most people who are assuming tolerable success in life are about as happy as they were ordained to be. They wouldn't be a lot happier if they were richer or a lot less happy if they'd been poor. I think most people are born with a happystat. That happystat has more to do with their happiness and their outcomes in life.

Question: *Your advice given on choosing a good spouse in [Poor Charlie's Almanac](#) is terse. You have said that the single best way is to deserve a good spouse because a good spouse is by definition not nuts. That is true and makes sense. However, could you be more specific? You used examples of Lee Kuan Yew's good judgment in choosing someone with brains over certain physical attributes in your past interview. Could you give more examples both good and bad ones from your personal observations or through vicarious readings?*

Charlie Munger: Well, I can't top Lee Kuan Yew's example. In his early education, he was the second-ranked student in the school. He was that smart. And there was one woman who was a year older than he was who was the first-ranked student in the school. So he married her. Of course, his son, who is a bright man, is now Prime Minister of Singapore.

A little wisdom in spouse selection is very desirable. You can hardly think of a decision that matters more to human felicity than who you marry.

Question: *Given all of your donations to physics, what is your favorite way of applying physics to society's problems and also to investing?*

Charlie Munger: I don't think I use much physics in solving my investment problems but it occasionally helps me.

Occasionally, some damned fool will suggest something that violates the laws of physics and I always turn off my mind the minute I realize the poor bastard doesn't know any physics.

Question: *How important is the analysis of company culture in the investment process?*

Charlie Munger: It's quite important—part of the success of a company like Costco. It's been amazing that one little company starting up not that many decades ago could become as big as Costco did as fast as Costco did. Part of the reason for that was cultural. They have created a strong culture of fanaticism about cost, quality, efficiency, and honor. All the good things. And, of course, it's all worked. Culture is very important.

Question: You often advocate for learning from other people's big calamities and stupidities. What would be a mistake at the Daily Journal which we can all learn from?

Charlie Munger: Gerry, what's the biggest mistake we've made?

Gerald Salzman: Well, we don't think about mistakes. We take the situation as it is and try to solve it.

Charlie Munger: I can't think of a... We paid high prices for some little companies in the course of trying to enter the court software business. But I don't think that's going to end up with a mistake. God knows it was difficult but I don't think it's a mistake.

I don't think we have made a lot of horrible mistakes. Look around all this real estate. We bought all these buildings cheaply. They're in a place that's gotten more valuable.

I don't think it was a mistake to buy the Daily Journal when we did, paying the price we did. We paid two and a half million for it. We got a dividend of two and a half million shortly thereafter. Everything you see is profit.

I think we've coped pretty well so far.

Question: *If you had a chance to make an addition or revision to [Poor Charlie's Almanac](#), what would that be?*

Charlie Munger: I don't have any wonderful new thoughts. To the extent that my thoughts have helped my life, I think I've pretty well run the course. I don't think I'm likely to have any

new thoughts that are going to work miracles either. But, I find that the old ways of doing things still work.

I've been engaged in recent years in trying to create a better type of student dormitory. I find that by working at that, I can actually make some improvements even though I'm old. So, I'm kind of pleased that I'm still functioning at all. I'm not trying to move mountains.

Question: *Do you believe any psychological personality tests, such as the Myers-Briggs Type Indicator, to be of any good in choosing a compatible partner, given that choosing a spouse is probably the most important decision one can make in life. Could you please elaborate on the subject and could you consider giving a talk on this particular subject? The most important decision in life to benefit those who are single, perhaps including some of your grandchildren and great-grandchildren.*

Charlie Munger: Well, you know, I had a failed marriage, so I don't think I'm in the perfect position to advise the young about marriage. No, I don't think I have anything to contribute.

Question: *What have you done to live such a long life? Could you share the secret to living a long, healthy, and happy life?*

Charlie Munger: I think I'm alive because of a lucky genetic accident. I don't think I can teach you how to retroactively get a new accident yourself. Gerry's lived a long time too and I think we both have been lucky. No, I don't have any secrets. I think I would have lived a long time if I had lived a different life.

A happy life is very simple.

The first rule of a happy life is low expectations. That's one you can easily arrange. If you have unrealistic expectations, you're going to be miserable all your life. I was good at having low expectations and that helped me.

Also, when you get reverses, if you just suck it in cope, that helps if you don't just fretfully stew yourself into a lot of misery.

There are certain behavioral rules. Rose Blumpkin had quite an effect on the Berkshire culture. She created a business with like 500 depression dollars that became a huge business. You know what her mottoes were? Always tell the truth and never lie to anybody about anything.

Those are pretty good rules and they're pretty simple.

A lot of the good rules of life are like that. They're just very simple. Do it right the first time. That's a really good rule.

Question: *It's been a year since the coronavirus pandemic came to the U.S. What have you all learned about running a business in the past year? Has there been anything that has surprised you, and what would be your best advice to someone starting a business now?*

Charlie Munger: I don't think I have a lot of wonderful advice about starting a business but what you've learned in the pandemic is that we can do with a lot less travel and a lot more Zooming.

When the pandemic is over, I don't think we're going back to just the way things were. I think we're into a lot less travel and a lot more Zooming. I think the world is gonna be quite different.

A lot of the people who are doing this remote work—a lot are going to work three days a week in the office and two days a week at home. A lot of things are going to change. I expect that and I welcome it.

Question: *Can you share some parting thoughts with the viewers who are watching all around the world?*

Charlie Munger: We're really old both of us. And I think both of us have done the same thing; we just suck it in and cope. We don't have any other secrets, do we Jerry?

Gerald Salzman: None. You have to be concerned about employees' lives. That's very, very important. And, for example, here, we must have 30 or 40 deaths. We expect many of our employees to always be at client court offices because we work with them very closely to make sure they get what they need. We do, as Charlie indicates, have a lot of travel. That's been greatly curtailed. And we can't go to many offices because they're closed.

As for some of our technology, like eFiling for example, the courts are closed. We are very excited to look forward to enabling the courts to function as we know that they want to and will in the future.

So, you have to be a little closer to the employees' needs, desires, babysitting, and all those activities that were kind of taken for granted in the past. It doesn't happen anymore. Everybody's got a different situation. Nothing is particularly obvious for everybody to do the same thing. And, we have to function as an informal committee in that we have to bring our employees and our clients together to work out what they already know and how we can help them do a better job—a more efficient job.

So, the people part has changed quite considerably being a small company. We're beholden to the guidelines of the county of Los Angeles and other counties. We have offices in all the major cities in California and also in Logan, Utah. We are subject to the orders and directions of those counties which, before, really didn't impact anything.

Charlie Munger: There's one thing that we're quite passionate about and that is serving the customers who have trusted us. And, we are really interested in doing a good job in Australia, in California, and all the other places where people have trusted us.

You can hardly think of anything more important in life than being reliable for the people who trust you.

We're going to bust our ass to try and do a good job. The Daily Journal shareholders will have to take whatever outcome comes from caring more about our customers than is at all common.