

Charlie Munger: Full Transcript of Daily Journal's 2022 Annual Meeting

[JUNE 3, 2022](#) / [RICHARD LEWIS](#) / [3 COMMENTS](#)

THE DAILY JOURNAL ANNUAL MEETING, 2022

x CHARLIE MUNGER

LATTICEWORKINVESTING.COM ✦ TRANSCRIPT

It's always a wonderful pleasure to hear Charlie Munger speak at the Daily Journal Annual Meeting. Once again, the wit and wisdom of Charlie Munger was on full display at the deceptively youthful age of 98!

This transcript has been enhanced with clickable links to various curated resources. In addition to the transcript, you may also listen to my ["time-saver" edit](#) of the meeting's audio, or watch the entire meeting on [YouTube](#).

I would like to thank Mr. Munger for energetically entertaining our questions and graciously sharing his wisdom, insights, and time with all of us.

I hope you all enjoy!

<https://latticeworkinvesting.com/2022/06/03/charlie-munger-full-transcript-of-daily-journals-2022-annual-meeting/>

(Note: I frequently summarized the questions that were presented by the host Becky Quick, but as for anything that Charlie or Gerry said, I translated them verbatim and as accurately as possible.)



Start of Transcript

Charlie Munger: The sole business of the meeting is to elect four directors; Munger, Conlin ([link 1, 2](#)), Maryjoe Rodriguez and John Frank ([link 1, 2, 3](#)). We have the proxies, we have the inspector of elections, we have everything here, that is now done. The Daily Journal's former business is over. Now we're going to answer questions in the tradition that's come to both the Daily Journal and Berkshire Hathaway. So you're on for the first question.

Becky Quick: How does the Daily Journal plan to handle its investment portfolio after Charlie steps back?

Gerry Salzman: Charlie, I think you should answer that.

Charlie Munger: Well, [I'll handle it](#) as long as we can, and when I'm gone or sufficiently impaired, we'll get somebody else to do it.

Becky Quick: Ok, the second part of that question is, what are the reasons for Gerry and [Peter Kaufman](#) leaving the board?

Charlie Munger: Well, we are going to have to make changes in the future because Gerry and I are so superannuated. And Peter didn't want to do it anymore, and that's all we have to say.

Becky Quick: What is the current Daily Journal's management succession plan and who will be in charge after [Mr. Salzman's retirement](#)?

Charlie Munger: Well, our long-term plan (is) to replace both Gerry and I because he's eighty-three and I'm ninety-eight. So obviously, we have a succession planning to do in the near future, and we'll do it as fast as we can.

Becky Quick: I notice that the Daily Journal is using margin debts to purchase overseas securities, and the overseas security is not reported in the SEC filing. As a shareholder, am I entitled to know what overseas security we own on margin?

Charlie Munger: Well, the practice at Daily Journal and Berkshire is the same. We disclose what we have to under the rules because we don't want people to know what we're buying and selling, so we tell everybody what we have to under the rules, and we keep it confidential until then. That's our system.

Becky Quick: Our company stated that Journal Technology serves 30 states in the United States on the website and all the other older 10-Q and 10-K. It said that JTI serves 42 states. I just wonder what is the reason for the decline? I would appreciate any explanation.

Charlie Munger: Gerry, you take that one.

Gerry Salzman: The reason for the decline, to a certain degree, is several years ago, we decided not to support a very old legacy system. Which had a number of smaller agencies, in addition to a number of larger agencies, and as we expected, many of the smaller agencies decided not to go to our main system, which we call eCourt, eSystems, eProbation, eProsecutor and ePublic Defender. And so that's the reason the decline in those numbers.

Charlie Munger: And by the way, other software companies avoid obsoleting a system because they lose some business. But ***we want the customers to have the more modern system.***

Becky Quick: Who are your principal competitors in supplying software to court systems, and do you have a guess as to who has what market share?

Charlie Munger: Well, Journal Technologies has the big share, and the rest is scattered. Now, pardon me, I mean, Tyler Technologies has the big market share.

Becky Quick: In the annual report, you noted that the prospects in software now seem especially interesting, would you care to expound on that thought?

Charlie Munger: Well, I'm glad to. What's interesting is that. The courts of the world have been in the Stone Age, and there's no reason where lawyers should go down through heavy traffic and wait for some little motion, it should all be done on Zoom and so forth. And the filing should be done electronically... What there is a huge market for the automation of the courts, and it's early. That's the good news. It's a big market and the bad news is it's a slow damn tough way to grind ahead in software because it's very bureaucratic...RFP, Government bodies. It's a huge market, and it's intrinsically going to be very slow to get done. That's the good news and bad news, we have a huge market and it's going to be slow and bureaucratic. ***There isn't any doubt about what's going to happen, the courts are***

going to get more efficient and get with the modern world. And also the district attorney's offices and the probation offices.

Becky Quick: In January Jeff Gundlach was quoted, "[China is uninvestable](#), in my opinion at this point. I've never invested in China long or short. Why is that? I don't trust the data. I don't trust the relationship between the United States and China anymore. I think that investments in China could be confiscated. I think there's a risk of that." Obviously, with a significant percentage of the Daily Journal's marketable securities invested in BYD and [Alibaba](#), you feel differently. Please explain why you are right.

Charlie Munger: Well, of course, only the future knows who's going to be right. But China is a big, modern nation. It's got this huge population and this huge modernity that's come in the last 30 years. And we invested some money in China because we could get more value in terms of the ***strength of the enterprise and the price of the security*** than we could get in the United States. Other people, including [Sequoia](#), the leading venture capital firm in the United States, have made the same decision we have. But I'm sympathetic to Gundlach. If he's nervous he doesn't have to join us. Different folks have different opinions. I feel about Russia the way he feels about China. I don't invest in Russia, so I can't criticize the Gundlach's point of view. It's just I reached a different conclusion.

Becky Quick: Charlie, you and Warren have been making concentrated investments since the nineteen fifties. Many of these investments have led to gains, but even more impressively, none of them have led to significant losses. As far as I can tell, neither one of you has lost more than a few percentage points of equity on any single investment. Daily Journal has recently bet a large amount of its capital on Alibaba ([link 1](#), [2](#)) and foreign traded stock. It's also taken on an additional \$40 million in margin debt to make these investments. What makes you so sure that these investments won't lead to a substantial impairment of Daily Journal's equity capital, which would impact the company's ability to reinvest the resources needed to develop the company's software operating business?

Charlie Munger: Well, of course, if you invest in marketable securities, you have the risk that they'll go down and you'll lose money instead of make it. But if you [hold a depreciating currency](#), that's losing purchasing power. On balance, we

prefer the risk we have to those we're avoiding, and we don't mind a tiny little bit of margin debt. ([link 1](#), [2](#), [3](#))

Becky Quick: I got lots and lots of questions on Alibaba. That was the one question that I received more than any other, so I'll dig a little deeper through some of these. As a Daily Journal owner, do we own local shares of Alibaba? Does that actually give us legal ownership of that business, or do we have a variable interest? And is that the same? Net-net, what do we own? And I did get a series of questions related to that same sort of sort of thought.

Charlie Munger: When you buy Alibaba, you do get sort of a derivative. But assuming there's [a reasonable honor](#) among civilized nations, that risk doesn't seem all that big to me.

Becky Quick: Got a lot of questions just about the investing in China risks. He's interested in your take on China and Chinese stock exposure for the long term. He says it's becoming quite evident that Chinese companies could be banned from doing business in the western world or maybe some of the eastern countries too, because of the number of the following reasons. One, the security threat issues. Two, the potential conflict over Taiwan. Three, inability to meet western accounting standards and number four, human rights issues. Considering all of the risks mentioned above, why would anyone as smart as Munger or Buffett consider investing in China or any of the Chinese companies?

Charlie Munger: Well, ***we did it for a very simple reason we got more strength per dollar invested in China.*** The companies we invest in are stronger relative to their competition and priced lower. That's why we're in China. ([link 1](#), [2](#))

Becky Quick: Although the financials seem strong, do the political pressures from the Chinese government worry you at all?

Charlie Munger: Well, the Chinese government is worrying all the capitalists in the world way more than it used to. And of course we don't like that, and we wish that China and the United States got along better. If you stop to think about it, think about how massively stupid both China and the United States have been to allow the existing tensions to arise. What bad is ever going to happen to China or the

United States if we two are close? If we make good friends out of the Chinese and vice versa, who in the hell is ever going to bother us?

Of course we should make friends with China. And of course we should learn to get along with people who have a different system of government. We like our government because we're used to it, and it has advantages of personal freedom. **China could never have handled its life with a government like ours.** They wouldn't be in the position they're in. They had to prevent five hundred million or six hundred million people from being born in China. They just measured the women's menstrual periods when they came to work and aborted those who weren't allowed to have children. You can't do that in the United States. And it really needed doing in China. And so they did what they had to do using their methods. And I don't think we should be criticizing China, which has terrible problems, because they're not just like the United States. They do some things better than we do. They should like us, and we should like them... I think nothing is crazier than people who foment resentments on either side of that one.

Becky Quick: How do you think the Ukraine situation will be resolved in your opinion?

Charlie Munger: Well, I have no insight that's any better than anybody else on that one. Most of these things in the days when both parties have huge numbers of hydrogen bombs get resolved because the alternative is so awful that even an idiot can see that the question ought to be resolved. That's the way it's worked so far, and I hope it keeps working that way. We live in the '[pax nucleana](#)'. We've gotten an absence of World Wars for a long time because we had these nuclear weapons, it's been a blessing to humanity. But it does make you nervous every once in a while, and it's quite irresponsible when the leaders in the modern age get over tensions over border incidents and so forth.

Becky Quick: You said that we should partner up with China. Does it concern you to see Russia partnering up with China and that relationship getting a little cozier?

Charlie Munger: It's hard to think of anything that's more stupid. And both sides are doing it. The political leaders on each side are trying to make points with their own constituencies by showing how tough they are. That is massively stupid on both sides.

Becky Quick: Charlie, Alibaba is a top three holding for you. It sells at a steep discount to its U.S. peers. Best comparable is Amazon, which is triple Alibaba's P/E. So what discount should U.S. investors seek when buying Chinese stocks considering the political, regulatory and especially the ownership structure risk? Oh, and considering the fortune Berkshire made on your bid suggestion, why doesn't Buffett buy Alibaba?

Charlie Munger: Well, Warren, like many other intelligent people, likes to invest where he's personally comfortable. And for some reason [I'm more comfortable with the Chinese](#) than he is. That's a minor difference. But I have all kinds of places where I'm just like Warren. I have all kinds of things where I'm not comfortable and I just don't go near them. I think an old guy is entitled to invest where he wants to invest. It's OK to have some things that you just don't want to bother with. I don't think Alibaba is as entrenched as something like Apple and Alphabet. I think the internet is going to be a very competitive place, even if you're big internet retailer.

Becky Quick: Crypto was another question that I got a lot of, I'll ask this one. Crypto is a two trillion-dollar asset class. Are you willing to admit you missed something?

Charlie Munger: Well, I certainly didn't invest in crypto. I'm proud of the fact I've avoided it. It's like, you know, something venereal disease or something. I just regarded as beneath contempt. Some people think it's modernity and they welcome a currency that's so useful in extortions and kidnappings and so on and so on...tax evasion. And of course the [envy](#). Everybody has to create his own new currency. And I think that's crazy too. So. I wish it had been banned immediately, and I admire the Chinese for banning it. I think they were right, and we've been wrong to allow it.

Becky Quick: Mr. Munger, you've been warning of the evils of cryptocurrency in the past. How do you feel about the Federal Reserve preparing to launch a central bank digital currency? Do you think that this will be beneficial or harmful to the strength and resilience of our markets?

Charlie Munger: No, no, the Federal Reserve could have a currency if they want one... We've got a digital currency already, it's called a bank account. The banks

are all integrated with the Federal Reserve System. We already have a digital currency. I like digital currencies for the United States.

Becky Quick: Two years ago at this meeting, you said, I think there are lots of troubles coming, there's too much wretched excess. Since that meeting, we have seen something like 860 SPACs, IPOs like Rivian and Robinhood and the GameStop phenomenon. I can't imagine you've changed your mind. I wonder what your favorite story of wretched excess is from the last year.

Charlie Munger: Well, certainly the great short squeeze in GameStop was wretched excess. Certainly, the bitcoin thing is wretched excess. I would argue that venture capital is throwing too much money, too fast, and there's a considerable wretched excess in venture capital and other forms of private equity. And so...

We have a stock market which some people use like a gambling parlor. And the transactions of the people who love the gambling parlor aspect of the business and those who want to make long term investments, to take care of their old age and so forth...I mean, muddle that in one market and it goes out of control because the stock market becomes an ideal gambling parlor activity. I don't think that ought to have been allowed, either. ***If I were the dictator of the world, I would have some kind of a tax on short term gains that made the stock market very much less liquid and drove out this marriage of gambling parlor and legitimate capital development of the country.*** It's not a good marriage, and I think we need a divorce.

Becky Quick: How would a divorce work?

Charlie Munger: Well, you'd have to have some kind of a rule that just made stocks way less liquid. We have all the real estate we want, all those shopping centers and auto agencies and so forth without having a perfect liquid market. We would have a stock market that was way less liquid. When I was young, we had a stock market that was way less liquid, way fewer shares. When I was at the Harvard Law School, we seldom traded a million shares in a day. Now we trade billions. We don't need a stock market that liquid. What we're getting is wretched excess and danger for the country, and everybody loves it because it's like a bunch of people get drunk at a party, they're having so much fun getting drunk that they don't think about the consequences. We don't need this wretched excess. It has bad consequences, ***you***

can argue that the wretched excesses of the twenties gave us the Great Depression and the Great Depression gave us Hitler. This is serious stuff. But it's awfully hard. A lot of people like a drunken brawl. And so far, those are the people that are winning. And a lot of people are making money out of our brawl.

Becky Quick: You mentioned we're in a big bubble. Can you elaborate on that and how is this likely to play out?

Charlie Munger: Well, I think eventually there will be considerable trouble because of the wretched excess that's the way it's usually worked in the past. But when it's going to come and how bad it will be, I can't tell you.

Becky Quick: Charts, technicals, momentum and A.I. seem to dominate the market these days. Are old school Ben Graham valuation methods dead?

Charlie Munger: They'll never die. ***The idea of getting more value than you pay for, that's what investment is, if you want to be successful, you have to get more value than you pay for.*** And so it's never going to be obsolete. Now you can get a whole body of people that don't even know what they're buying, they just quote quotations on the ticker. I don't think it's helpful to have... Think of the past crazy booms and how they worked out, the South Seas bubble, the bubble in the late 20s, so on and so on. ***We've had this since the dawn of capitalism. We've had crazy bubbles.***

Becky Quick: Do you think it's likely that we will experience a major increase in interest rates in the upcoming decades, like, for example, in the period between 1950 and 1980?

Charlie Munger: Well, that of course is a very intelligent question and a very difficult question. When you throw money...when you print money on the scale that modern nations are printing it, Japan, the United States, Europe, et cetera. We're getting into new territory in terms of size. The Japanese bought back not only a lot of their own debt, but a lot of their common stocks. So the Federal Reserve system... You can't imagine how much money printing Japan has done, and they haven't had all that much inflation and it's still a very admirable civilization. In fact, you could argue that Japan is one of the more admirable civilizations in the whole world. And in spite of all this very extreme government

money printing they've done, they haven't had terrible consequences. Now they've had 25 years of stasis, with living standards not improving very much. I don't think that came from their macroeconomic policies. I think that came from the rise of tough competition for their export powerhouse from China and Korea.

But at any rate, it's weird what's happening, and nobody knows for sure how it's going to work out. I think it's encouraging that Japan could print as much money as it has and remain as civilized and calm and admirable as it has. And so I hope to God the United States has a similar happy outcome. But I think the Japanese are better adapted for stasis than we are. I think it's a duty filled, civilized bunch of people. A lot of them older, not many young people. And they just suck it in and cope. In our country. We have terrible tensions. It's way harder to run a country which is not monoethnic like Japan. There's some professor at Harvard that has written extensively on this subject. It's way harder to run a nation like the United States with different ethnicities and groups and so forth than it is to run Japan. ([link 1](#), [2](#)) Japan is basically sort of a monoethnic civilization which is proud of its ethnicity. And of course they can cope with troubles...better than some other people can. There's never been anything quite like what we're doing now, and we do know from what's happened in other nations if you try and print too much money, it eventually causes terrible trouble. And we're closer to terrible trouble than we've been in the past, but it may still be a long way off. I certainly hope so.

Becky Quick: What are your current thoughts on the inflationary environment, and please compare and contrast it to the 1970s?

Charlie Munger: Well, when Volker, after the seventies, took the prime rate to 20% and the government was paying 15% on its government bonds, that was a horrible recession. Lasted a long time, caused a lot of anger and agony. And I certainly hope we're not going there again. I think the conditions that allowed Volcker to do that without an interference from the politicians were very unusual, and I think in 20/20 hindsight, it was a good thing that he did it. I would not predict that our modern politicians will be as willing to permit a new Volcker to get that tough with the economy and bring on that kind of a recession. So I think the new troubles are likely to be different from the old troubles. ***You may wish you had you had a Volcker style recession instead of what you're going to get. The troubles that come to us could be worse than what Volcker was dealing with. And harder to fix.***

Becky Quick: Like what?

Charlie Munger: Think of all the Latin American countries that print too much money. They get strongmen and so forth. That's what Plato said happened ([link 1](#), [2](#)) in the early Greek city state democracies. One person, one vote. A lot of equality and you get demagogues, and the demagogues lather up the population and pretty soon you don't have your democracy anymore. I don't think that was a crazy idea on Plato's part. I think that accurately described what happened in Greece way back then, and it's happened again and again and again in Latin America. We don't want to go there. At least I don't.

Becky Quick: Conventional economic theory argues that excessive monetary and fiscal stimulus over the last two years has triggered the highest inflation in 40 years. Do you broadly agree with this thesis? And more importantly, do you think there will be a high economic price to pay as the Fed attempts to bring inflation back under control?

Charlie Munger: Well the first part, I agree with it, we've done something pretty extreme, and we don't know how bad the troubles will be, whether we're going to be like Japan or something a lot worse. What makes life interesting is we don't know how it's going to work out. I think we do know we're flirting with serious trouble. I think we also know that some of our earlier fears were overblown. Japan is still existing as a civilized nation. In spite of unbelievable excess by all former standards in terms of money printing. Think of how seductive it is. You have a bunch of interest-bearing debts, and you pay them off with checking accounts, which you're no longer paying interest. Think about seductive that is for a bunch of legislators. You get rid of the interest payments and the money supply goes up. It seems like heaven. And of course, when things get that seductive, they're likely to be overused.

Becky Quick: How will (inflation) all play out and what's the best advice you have for individual investors to optimally deal with the negative impact of inflation other than owning quality equities?

Charlie Munger: Well. It may be that you have to choose the least bad of a bunch of options that frequently happens in human decision making. The Mungers have Berkshire stock, Costco stock, Chinese stocks through Li Lu, a little bit of Daily

Journal stock and a bunch of apartment houses. Do I think that's perfect? No. Do I think it's OK? Yes. I think the great lesson from the Mungers is you don't need all this damn diversification. That's plenty of... You're lucky if you've got four good assets. I think the finance professors...that sell the idea that perfect diversification is professional investment. If you're trying to do better than average, you're lucky if you have four things to buy. And to ask for 20 is really asking for [egg in your beer](#). **Very few people get have enough brains to get 20 good investments.**

Becky Quick: Which part of Berkshire Hathaway bought the Activision's stake and if Berkshire had any inkling about the likely Microsoft bid for Activision Blizzard?

Charlie Munger: I've got no comment about that, except that I really like Bobby Kotick (Interview; [link 1](#), Articles; [2](#), [3](#), Boards; [4](#), [5](#), [6](#), [7](#)), who one of the smartest business executives I know. And I do think gaming is here to stay. But there again, I'm an old man, I don't like a bunch of addicted young males spending 40 hours a week playing games on the TV. It does not strike me as a good result for civilization. ***I don't like anything which is so addictive that you practically give up everything else to do it.***

Becky Quick: Could you please ask his views on the Metaverse and the recent acquisition of Activision Blizzard? Was this something that Charlie Munger had any input on? Does he think that there is value in the metaverse or is this something similar to the bitcoin and cryptocurrency hype?

Charlie Munger: Well, without any metaverse, just the existing technology of games on the internet, Activision Blizzard and a lot of other companies have gotten very large and some of the games are kind of constructive and social and others are very peculiar. Do you really want some guy 40 hours a week running a machine gun on his television set? I don't. But a lot of the games are harmless pleasure, it's just a different technique of doing it. I like the part of it that's constructive, but I don't like it when people spend 40 hours a week being an artificial machine gunner.

Becky Quick: Recent appointees, Lina Khan as Chair of the FTC and Jonathan Kanter as Assistant Attorney General of the Antitrust Division of the Justice Department, have each pledged to follow an aggressive approach to antitrust enforcement. Do you believe there's a need for new antitrust legislation and or

more stringent antitrust scrutiny with respect to the largest technology companies?

Charlie Munger: Well, I think what's happened is so important and so tied up with national strength, that I'm not trying to weaken the internet companies of the United States. I like the fact that we have strong national champions that are big, strong companies, and I think other nations are proud of their big, strong companies too. So I don't think business is bad in the end. ***I don't want the whole internet to be dominated by foreign companies. I want big, strong American companies that stand well in the world.*** So I'm not as worried about anti-trust aspects of the internet.

Becky Quick: Are you worried about the aspects of antitrust breaking it down though?

Charlie Munger: Well, there's no question about they're going to get more attacks from the present administrators than they got from the previous ones. That doesn't worry me that much, no. I don't think it'll have that much practical consequence.

Becky Quick: Currently, Congress is considering legislation to address the trading and ownership of individual stocks by members of Congress. What are your views on this subject?

Charlie Munger: I don't think we've had big, serious moral lapses in Congress. Maybe a fairly scattered minor amount of minor miscreancy. So I'm not much worried about it.

Becky Quick: Charlie, in the past, you've stated that the USA should keep all oil and gas production domestic and let the rest of the world deplete the supplies of other exporters. Do you still believe that position has merit? What's your opinion of President Biden's position on oil and gas energy production here in the USA, given that he's cancelled the Keystone Pipeline and is curtailing drilling on Bureau of Land Management lands? Is this just a concession to the Green Progressives? Will we ever have a stable supply of renewable energy given the issues of wind power we've seen in Europe? And do you believe there'll be enough renewable electrical generation capacity to offset the use of coal and petroleum to generate electricity?

Charlie Munger: Well that's a lot to talk about. There is no question about the fact that we've got a lot of renewable energy we can get from solar and wind and that it's gotten pretty efficient and competitive. And I am in favor of conserving the hydrocarbons instead of using them up as fast as possible. And I'm in favor of all this new generating capacity now that it's gotten so efficient from solar and wind. If there were no global warming problem, I would be in favor of exactly what the government is now doing which is encouraging a hell of a lot more solar and wind. I think it would be smart to do that just to conserve the petroleum. The petroleum has enormous chemical uses in fertilizers and chemistry and so on and so on, it's precious stuff, and I don't mind having a goodly part of it that remains in the ground. It's a good place to store it. I regard the petroleum reserves of the United States about the way I regard the black topsoil of Iowa. I regard it as a national treasure. And just as I'm not in favor of sending all the topsoil of (Iowa) down and dumping it in the ocean, I'm not in favor of using up all the petroleum as fast as possible.

So I love the idea of conserving the natural resources. They're all going to be used eventually. And I'm in no hurry to use them up rapidly. That is a very unusual attitude, but it's mine. And I'm very encouraged by how much energy we can get that is renewable from solar and wind with modern technology. We have a huge potential for getting renewable energy that way. And I think now that it's so efficient, we ought to go ahead and do it. But, global warming... I'll be very surprised if global warming is going to be as bad as people say it's going to be. The temperature of the Earth went up, what, one degrees centigrade in about Two hundred years? That's a hell of a lot of coal oil that was burned and so forth, and it was one degree. I'm just skeptical about whether it's as bad as these calamity howlers are saying.

Becky Quick: Berkshire recently announced plans for an in-person annual meeting. What are yours and Warren's thoughts on COVID and Omicron, both here in the United States and around the world? And then in terms of the Berkshire meeting, will attendees be required to show proof of vaccination to enter the arena?

Charlie Munger: Well, I'm not familiar with it. I'm not sure that's all even been decided. We're going to make it a real meeting if we can. And that's the current plan... My personal guess is it's going to happen.

Becky Quick: The other part of that question was just your thoughts on COVID and Omicron here in the United States where do you think things stand with what we've been through?

Charlie Munger: Well, if we get lucky, it'll fade away due to a minor problem. We kill 30,000 people a year with flu every year in the United States. Suppose that were 60,000 and it included Omicron. You know, I think we'd get used to it.

Becky Quick: Pandemic has made the difference between big business and small business more clear than ever. It also made it harder for harder than ever for small businesses to thrive. All businesses were ordered closed in some states, yet Home Depot and Shop & Stop were allowed to operate. Do you think that we will ever see small businesses have a more even playing field? Or is this a never-ending spiral down the rabbit hole until there's nothing but big business left?

Charlie Munger: Well, I think we will have small business as far ahead as you can see. And if you stop to think about it, every shopping center is full of small business. Now they're not flourishing as they were a while ago. But we're not going to get rid of the small business in the United States. In a sense, we need a big business. ***It makes sense to have something like Apple and Google as big as they are and serving as well as they're doing.*** And just as I didn't mind AT&T when it ran the whole television network, I don't mind Apple or Google being a big company. So I'm not worried about having some big companies and a lot of small ones, I think that's our system.

Becky Quick: You think it's an uneven playing field right now, the Russell 2000 is more than 15% off its all-time high right now. It's had a pretty rough go, especially in recent months.

Charlie Munger: Well, if you stop to think about it, my way in life was not predicting little short-term differences between the Russell Index and the Standard & Poor's index. I don't have any opinion about which index is better at any given time. I never even think about it. I'm always just looking for something that's good enough to put Munger money in. Or Berkshire money in or Daily Journal money in. I figure that I want to swim as well as I can against the tides, I'm not trying to predict the tides. I expect to be suffering in the... ***If you're going to invest in stocks for the long term or real estate, of course there's going to be periods when there's a lot***

of agony and other periods when there's a boom. And I think you just have to learn to live through them. As Kipling said, treat those two impostors just the same. You have to deal with daylight at night, does that bother you very much? No. Sometimes it's night and sometimes it's daylight. Sometimes there's a boom, sometimes there's a bust. I believe in doing as well as you can and keep going as long as they let you.

Becky Quick: Do the great tech franchises of our day, specifically Microsoft, Apple and Alphabet, have the same long-term durability that Coca-Cola had 30 to 40 years ago.

Charlie Munger: Well. Of course, it's a lot easier to predict who flourished in the past because we know what happened in the past. But you know, (inaudible) what's going to happen in the future, of course that's harder. It's very hard for me to imagine...it doesn't mean it couldn't happen...but *I would expect Microsoft and Apple and Alphabet to be strong fifty years from now. Really strong, still strong.* But, if you'd asked me when I was young what was going to happen to the department stores that went broke, the newspapers which went broke and so on, I wouldn't have predicted that either. *So I think it's hard to predict how your world is going to change if you're going to talk about 70, 80, 90 years.* ([link 1](#), [2](#), [3](#)) Just imagine, they wiped out the shareholders of General Motors, they wiped out the shareholders of Kodak, who in the hell would have predicted that? This technological change can destroy a lot of people. And I think it's hard to predict for sure in advance. But the telephone company is still with us, it's just, it uses a different way of doing it. So some things remain and some vanish.

Becky Quick: Geoffrey Malloy from San Francisco writes in, he says, much media attention has been focused on the large numbers of Americans who've resigned from their jobs over the last year. What do you make of this trend and what advice would you give to CEOs seeking to retain their employees?

Charlie Munger: Well, this is a very interesting thing that the pandemic has given us. An awful lot of people have gotten used to not being in the office five days a week. And I think a lot of those people are never going back to five days a week. It's amazing the percentage of the people in computer science that don't want to be in the office for a normal life. They want to do a lot of it from locations that are more convenient to them. I think a lot of that's going to remain forever. I don't think

we're going back to... I don't think the average corporation is going to fly its directors around so they can sit at the same table for every meeting of the year. Maybe they'll have two meetings where the directors are together. By the way, Berkshire's directors have done that forever. The Berkshire directors have met face to face twice a year forever and done everything else on the telephone or with consent minutes, and it's worked fine for Berkshire. I don't think we needed all these goddamn meetings and airplane flights. So I think part of what's happening is quite constructive that it'll make life simpler and cheaper and more efficient.

I don't think we're going back for some kinds of work. Now on the other hand, they made the welfare so liberal with just helicoptering this money out, that it was just hell to even man your restaurant so you can serve the patrons. I think we probably overdid that a little. I think Larry Summers is quite possibly right that we overshot a little with some of the stimulus and we would have been smarter to do a little less. If you stop to think about it. What makes capitalism work is the fact that if you're an able-bodied young person, if you refuse to work, you suffer a fair amount of agony. And it's because of that agony that the whole economic system works. And so, ***the only effective economies that we've had that brought us modernity and the prosperity we now have, they imposed a lot of hardship on young people who didn't want to work.*** You take away all the hardship and say you can stay home and get more than you get if you come to work. It's quite disruptive to an economic system like ours. The next time we do this, I don't think we ought to be quite so liberal.

Becky Quick: What about the last part of that question where he asks, what advice would you give to CEOs who are seeking to retain their employees?

Charlie Munger: Well, every CEO I know is adapting somewhat to some people who work differently than they did in the past. So I think some of these changes are here, here forever. If your job in life is to get on the telephone and talked to other engineers all over the world while you solve problems, why do you have to do it from an office? And the commutes get harder and harder with more traffic, and it's harder and harder to handle more traffic and more people, it may be a good thing that more people are going to commute less.

Becky Quick: There's many examples of public company executive compensation programs that produce misaligned outcomes for executives and for shareholders.

What are some of the most important compensation related changes investors and boards of directors could make to create a better alignment of interests between the shareholders and the management?

Charlie Munger: Talking about what the economists call agency problems, if you're managing your own affairs you're going to be pretty efficient because taking care of your own property. If you're working for somebody else, the truth of the matter is you care more about yourself and your future and your family than you care about the telephone company you're working for. So, capitalism is efficient when the people who are making the decisions, they're doing it about their own property instead of just as hired employees of some say, state owned enterprise. That's just the way it is and it's just amazing to me how important it is to have a majority of the property of a civilization owned by somebody who's in charge of caring for it. That way, the property is properly taken care of. When the Chinese went away from [collectivist agriculture](#) and let each peasant have his own plot of land, and he got to keep the crop after his costs. The grain production went up 60% the first year. Now, who in the hell would want collectivist agriculture when it was that inefficient compared to capitalist agriculture? Well, the Chinese communist decided the hell with this communism. When it comes to collectivist agriculture, they'd rather have the extra 60% of the grain production. And they just change the whole system. I greatly admire what they did.

I think [Deng Xiaoping](#) is going to go down as one of the greatest leaders that any nation ever had because he had to give up his own ideology to do something else that worked better. You don't see the Catholic cardinals suddenly deciding there's no afterlife. But that's what Deng Xiaoping did, he gave up his ideology, his communist ideology, in order to make the economy work better. And being an absolute ruler, he could arrange it. And he brought that whole nation out of poverty into prosperity over the course of 30 years after he made the decision. That is a very admirable thing to have done. And it was kind of a miracle. It's just amazing how well capitalism has served the communist Chinese. Deng Xiaoping called it communism with Chinese characteristics, he meant one party government, but with most of the property in private hands and a fair amount of free enterprise. That's what he meant when he said communism with Chinese characteristics. I don't care what he calls it, he was right. It was a marvelous thing to have done for China, and it worked wonderfully well. And of course, we shouldn't be trying to transfer more and more functions to the government... What they gave up on, we don't want to go that way I don't think.

Becky Quick: How do you value Mr. Gensler and the SEC's role in protecting the integrity of the American financial system?

Charlie Munger: Well. It's hard to fix. What happens of course is that people rationalize their own way of making a living, there's some moral compromise in most activity that people are in where they make a living. Particularly so in things like finance and wealth management and so forth. And of course the people making the decisions care more about their own families than they care about the people whose money they're managing because that's just the way human beings are constructed. And that means that when you hire somebody else to manage your money to take care of your old age, it's very hard to get the job done right. It's very difficult. Nowadays, every director in a big company gets \$300,000 a year, and everybody thinks we arranged all this wonderful independence. A man who needs \$300,000 extra a year as a director is not an independent. The one thing you can guarantee is he'll try and stay a director. I don't think that's an ideal system. And yet, I don't think there's anything easy to do about it. I just think it's hard to get things managed as well as they should be. In the early days of my life I was I worked a little bit on the fringes of the motion picture industry, and I would say practically everyone sort of took advantage of the shareholders. That was just the culture. That is just deeply into human nature that people are going to behave that way. And of course it makes it makes it hard to run a proper civilization.

If you look at Berkshire and the Daily Journal, look at the Daily Journal Corporation. Charlie Munger age 98. Gerry Salzman age 83. Enormous delegations of powers to Gerry Salzman. As I say, the Berkshire Hathaway system of managing a subsidiary is just short of abdication. And look at how well it's worked. Of all the newspapers in the United States, most of them are going out of business. The Wall Street Journal will survive. The New York Times will survive. The digital newspaper of Thomson Reuters will survive. But most of the other newspapers are going to go out of business. And yet in that climate, this little Daily Journal Corporation has...one business is dying, and we have all this liquid wealth and marketable securities, and we got another business that we're trying to make into a respectable big business. It's quite an achievement. If there were five hundred newspaper companies there maybe two or three that have had a result like that. And look at how old the people are that have done it. Neither [Guerin](#) or I ever took one penny out of the Daily Journal all the years we worked here.

No directors fee, no President's fees, no expenses, no nothing. And Gerry's been a miracle worker wearing five six different hats at once and so forth, doing everything and very little cost. And Berkshire has like 30 people in headquarters who aren't internal auditors and look at how well Berkshire has done. ***It's hard to run a bureaucracy that doesn't get terrible slowness and terrible waste...*** It's a very serious problem. Think of the big bureaucracies that have died, U.S. Steel, Eastman Kodak, Federated Department Stores, Sears Roebuck. ***Yet some things have come through and survived, and in some cases the whole business had to die, and they had to take the capital out, and we owned a new businesses, [that's just to survive](#).*** That's what Berkshire did. Look at the three companies that Berkshire had, they all they all went out of business. And yet we wrung enough money out of before they died. Berkshire now has more audited net worth on its balance sheet than any other corporation in the United States. Now, that's weird. And we don't have this bureaucracy that other places have. There isn't anybody at headquarters to be bureaucratic. Just a little handful of people are running an empire. I don't think there's any chance for the rest of the world that it's going to be like Berkshire.

I think we were kind of a fluke that lasted for a while. And ***the Daily Journal is a mini-Berkshire***. What are the chances that a little flea-bitten newspaper in Los Angeles would be as prosperous as it is after all this trouble, which is making all the other newspapers go broke? By the way, we're going to miss these newspapers terribly. Each newspaper, all those local monopolies, was an independent bastion of power. The economic position was so impregnable, they were all monopolies...and the ethos of the journalist was to try and to tell it like it is. They were really a branch of the government. They called them the Fourth Estate, meaning the fourth branch of the government. It arose by accident. Now about 95% of (them are going) to disappear and go away forever. And what do we get in substitute? We get a bunch of people who attract an audience because they're crazy. I have my favorite crazies and you have your favorite crazies, and we get together, and all become crazier as we hire people to tell us what we want to hear. This is no substitute for Walter Cronkite and all those great newspapers of yesteryear. We have suffered a huge loss here. It's nobody's fault, it's just the creative destruction of capitalism. But it's a terrible thing that's happened to our country. And having these new journalists come in and tell the nuts on each side, the right-wing nuts and the left nuts only what they want to hear and slant all the facts so that they hear a lot of stuff that isn't so.

This is not good for our Republic, and I don't have the faintest idea what to do about it. I sometimes think maybe we should have a third party. In almost every state now, it doesn't matter whether the Democrats or the Republicans are in charge, they rejigger all the maps so everybody has a safe district. Now we get these permanent careerist people with their safe districts. The only fear they have is in the primary they face a another might throw them out. And every 10 years or so, the nutty rightist is the nutty leftist get together and maybe there are 10 sane people in the California Legislature...(and) they throw them out! One group of nuts throws out the people in the middle and so does the other. The one thing they can both agree on is they don't want any balanced, sensible people in the Legislature. This is a very peculiar kind of government. This was not our ideal when we went to democracy. But it's what has happened and it's getting worse and worse, and it's quite serious. I haven't the faintest idea what we're going to do about it. It's not good.

Becky Quick: How would you fix it?

Charlie Munger: Well, you could have a third party. We did that once before, we got rid of slavery. And maybe we'll get a third party. There are rump sessions... There are members of Congress who have [some little organization](#), maybe there's 40 of them, and they say, "we're the same core". And they're half Republican and half Democrats. I welcome anything like that. We may need a new party. This thing is getting so dysfunctional, and people hate each other so much that it's just not constructive. How would you like to have your life as full of hatred as the average state legislature? They really don't like or trust each other at all. And if you took my generation, my generation after World War II, we said politics stop at the water's edge and we took our enemies... Japan had marched our soldiers to death in the Bataan March, Hitler had killed all the Jews and also slaughtered everybody...and we made our best friends on Earth, practically, are the Germans and the Japanese. That was a real achievement. But can you imagine our legislators as now constituted doing anything like that? Well, with that cheerful thought, let's go on to some other question.

Becky Quick: Mr. Munger, how do you see the value proposition of college certificates and degrees for future students and the role of the federal government in terms of increasing Pell Grants, student loans and student debt forgiveness?

Charlie Munger: Well, that's another complicated subject. Of course, one of the glories of modern civilization is modern education. The American universities have been perfectly marvelous in their achievements. And modern technical civilization has been perfectly marvelous in its achievements. We owe a lot to all the free education we provided, and we probably ought to do more of it. However, the way we're constructed... We've had a lot of for-profit educators that sort of pretended to educate the people who weren't really very educatable and they send the bills to the federal government. So there's been a fair amount of disreputable private education that kind of lures people in with dreams and cheats them. And that's not a credible part of the past. But we're going to end up with more public education. Once you start a social safety net. Everybody wants more and more of it. The people who have the loans, they want the loans forgiven. And it gets to be a big body of people clamoring for money. Benjamin Franklin was suspicious of this, he said that when the citizens of a republic learn they can vote themselves money, the end of the Republic is near. Well, it may not be as near as Benjamin Franklin thought, but we're probably closer to the end than we were two hundred years ago. It is not good when everybody wants to get their money by a lot of government help. (Inaudible) ought to be not to need any help. Not to maximize this help from the government.

Becky Quick: What was it specifically that prompted the idea for windowless dorm rooms? Please walk us through this decision. I guess this is in regard to your design for student housing with no windows.

Charlie Munger: Nobody in his right mind would prefer a blank wall in a bedroom to a ball with a window in it. The reason you take the windows out is you're getting something else from the design considered as a whole. If you stop to think about it, a big cruise ship has a huge shortage of windows in bedrooms because too many of the state rooms are either below the waterline or they're on the wrong side of the aisle. And so in the very nature things, you get a shortage. You can't change the shape of the ship. You have to do without a lot of the windows to have [a ship that's functional](#), that's required by *the laws of hydrodynamics*. And so, we get the advantage of a big ship, but it means a lot of the staterooms can't have windows. Similarly, if you want a bunch of people who are educating each other to be conveniently close to one another, you get a shortage of windows and in exchange you get a whole lot of people who are getting a lot of advantage from being near one another and they have to do without a real window in the bedroom. It doesn't matter, the air can be as pure as you want it, and the light that comes in through an

artificial window can mimic the specter of daylight perfectly. It's an easy trade off. You pay twenty thousand dollars a week or something in a big cruise ship to have a stateroom with an artificial window. And for a long time on a Disney cruise ship, they had two different kinds of staterooms, one with a window and one without a window. And they got a higher price in rent for the one with an artificial window than they got for a real one. In other words, they reduced the disadvantage to zero. In fact, they made it an advantage. And so it's a game of tradeoffs. That poor, pathetic architect who criticized me is just an ignoramus. He can't help himself. I guarantee the one thing about him, he's not fixable. Of course you have to make [tradeoffs](#) in architecture.

Becky Quick: Charlie, another question came in about Costco. You recently talked about bubbles and high valuations in your home conference talk. Is Costco a part of that? Costco has never traded at a higher price to sales or price to earnings multiple. How should new investors think about Costco given its record run?

Charlie Munger: Well, that's a very good question, and I've always believed that nothing was worth an infinite price. So at some, even an admirable place like Costco could get to a price where you would say that's too high. But I would argue that if I were investing money for some sovereign wealth fund or some pension fund on a 30, 40, 50-year time horizon. I would buy Costco at the current price. I think it's that strong and enterprise and that admirable place. Now I'm not saying I would. I can't bring myself with my habits to pay these big prices, but I never even think about selling a share of Costco just because it's selling at a high price. So. If you stop to think about it, I bought at Christmas time, a flannel shirt, a bunch of flannel shirts at Costco. They cost seven dollars each more or less. And it was a soft flannel, and it was better and so forth. And then I bought pants, I think they were Orvis pants, and I pay like seven dollars, and they stretch around my waist and they're partly water resistant and what have you. Costco is going to be an absolute titan on the internet because it got curated products that everybody trusts and huge purchasing power on a limited number of stocking units. So, ***I'm not saying I'm buying Costco at this price, but I'm certainly not selling any.*** I think it's going to be a big, powerful company as far ahead as you can see. And ***I think it [deserves its success](#). I think it has a good culture and a good moral ethos.*** I wish everything else in America is working as well as Costco does. Think what a blessing that would be for us all.

Becky Quick: Can you please update us, Charlie, on your view of [3G Capital](#) and [zero-based budgeting](#)? Has your thinking evolved over the last five years?

Charlie Munger: Well, of course, if you have a very rich corporation, human nature, what it is, it will get a lot of bureaucracy and a lot of excess cost in it and a lot of meetings and so forth. And there's huge waste in that. In fact, a lot of the extra meetings make you worse off, not better off. So you're not only spending a lot of extra money... It's not that you aren't getting as much as you're paying for... Many places after they've wrung out 30% of the excess costs, they run better than they did before. In other words, getting rid of the people and changing things around, it runs better, not worse. So there's a lot of over-manning in big successful places. And of course, it's human nature that people kind of relax a little when they get prosperous and so forth. I have a friend who was on a corporation with headquarters in Europe, and they would fly him from Los Angeles to Europe on a Concorde! It cost them \$100,000 just to take one director from Los Angeles to Germany and back. I mean, the excess just creeps into these places. And of course it isn't good.

On the other hand, you can cut too much. And there should be some mercy for people who've been around a long time and have served well in the past. So you don't necessarily want 100% perfect efficiency. But you wouldn't want a rule that nobody could ever go to some over-manned place and cut out a lot of the fat. The director's table in the Heinz Corporation cost \$600,000. The goddamn director's table. The director's table at Costco cost about three hundred dollars. They're different places, [different ethos](#). And of course, if you get fat like that, somebody like 3G comes along and says, I want to buy you and cut you back to normal. And of course, it's possible to overcut. But my guess is there's a lot of fat in our successful places. Think of the fat on the average rich family. I don't think we want unlimited fat in these places, on the other hand, we don't want too much brutality and too much... It's complicated like everything else.

Becky Quick: This other question is what impact does passive investing had on stock valuations?

Charlie Munger: Oh, huge! That's another thing that's coming. We have a new bunch of emperors, and they're the people who vote the shares in the index funds.

Maybe we can make Larry Fink and the people at the Vanguard Pope. All of a sudden we've had this enormous transfer of voting power to these passive index funds. That is going to change the world. And I don't know what the consequences are going to be, but I predict it will not be good. I think the world of Larry Fink, but I'm not sure I want him to be my emperor.

Becky Quick: Who will fill the gap of lending to global governments after quantitative easing ends. As an example, as FOMC paper matures and rolls off their balance sheet, where were the additional money needed to run governments come from? Who's the lender and at what expected rate? Please remember, the FOMC has also...

Charlie Munger: Are you talking about the China or the United States?

Becky Quick: United States.

Charlie Munger: That's a big problem because the (Chinese) government has been living by land sales and of course they've had a boom. They're having to shrink that sector a little. So it's creating an awkward problem. In the United States. We have a hugely strong economy and a hugely strong technical civilization, and that's not going away. And the knowledge and so forth. And you can't believe what a modern factory looks like when you fill it with robots. And that's coming more and more and more, and it's coming to China too for that matter. And so those trends are inevitable. And I don't know how it's all going to play out, but I think it does create adjustment problems. If you have a fine unionized job and they replace you with a robot, you've got a difficult problem. And if you got a company like Kodak and they invent something new that obsolete your product, you have a problem too, and you solve that by dying. A lot of people don't like that solution. I don't much care for it myself.

Becky Quick: Prior to the pandemic, it seemed like the U.S. was getting used to borrowing and running revenue deficits of close to 20%. There are all kinds of reasons for this through multiple administrations of either party. Now we're marching closer to the well-known demographic storm that will drive deficits still higher. He estimates that we are currently running about a 33% total deficit if you include unfunded future Social Security and Medicare obligations. Meantime, we're headed to higher interest rate costs on top of our 30 trillion in debt. Today interest

comprises 6% of our spending and the potential to double or triple interest expense is only going to make the problem worse. How can we get the public companies and politicians to recognize the seriousness of this problem and begin to take action?

Charlie Munger: Well, because all those problems are real, and because it's so tempting to get rid of your debt by just giving a guy a non-interest-bearing checking account where you used to have to pay him interest every month... Not only do we have a serious problem, but the solution to it that is the easiest for the politicians, and for the Federal Reserve too for that matter, is just to print more money and solve the temporary problems that way. And that, of course, is going to have some long-term dangers. And we know what happened in Germany when the [Weimar Republic](#) just kept printing money, the whole thing blew up. And that was a contributor to the rise of Hitler. So all this stuff is dangerous and serious, and we don't want to have a bunch of politicians just doing whatever is easy on the theory that it didn't hurt us last time so we can double it and do it one more time and then we double it again and so forth. We know what happens on that everlasting doubling, doubling, doubling. You will have a very different government if you keep doing that enough. And so you're flirting with danger somewhere, unless there's some discipline in the process. But I don't regard Japan as in some terrible danger. They've done a huge amount of this and gotten by with it. I don't think we'll be as good at handling our problems as Japan is.

Becky Quick: If taxes were not an issue, what are your thoughts on going to cash today and waiting for better opportunities to deploy that cash over the next 12 months? Is it a sensible idea in your mind?

Charlie Munger: *In my whole adult life I've never hoarded cash waiting for better conditions. I've just [invested in the best things I could find](#), and I don't think I'm going to change now. And the Daily Journal has used up its cash. Now Berkshire has excess cash. Quite a bit of excess cash. But it's not doing that because it thinks it knows how to time investments. He just can't find anything he can stand buying. So we don't have a solution to your problem. We're just coping with it as I've described.*

Becky Quick: Given the valuation and market correction in early 2022, why is Berkshire not picking up or adding any new companies to its profile? Is the management getting too conservative with M&A?

Charlie Munger: No. The reason we're not buying is we can't buy anything at prices we're willing to pay. It's just that simple. Other people are bidding the price up. And a lot of the buying is not by people who really plan to own them. A lot of it is fee driven buying. Private equity buys things so they can have more fees by having more things under management. ***Of course it's a lot easier to buy something when you use somebody else's money. We're using our own money. Or at least that's the way we think of it.***

By the way, it's not a tragedy that Berkshire has some surplus money they're not investing. And you can argue that the little old Daily Journal, what a good thing it was we had 30 million extra coming in from a foreclosure boom and that we invested it shrewdly. It gives us a lot of flexibility. And by the way, ***that piled up money helps us in wooing these governmental bodies who we are selling the software to. We look more responsible with the extra wealth, and we are more responsible with the extra wealth.*** But the shareholders who are worried about the future because it looks complicated and difficult and there are hazards, I want to say to them with my old torts professor said to me, "Charlie", he'd say, "Charlie, tell me what your problem is, and I'll try and make it more difficult for you." And he did me a favor by treating me that way. And I'm just repeating his favor to you. When you're thinking the thoughts...at least you're thinking in the right direction, you're worried about the right things. All you people that are worried about the inflation and the future of the Republic and so forth.

Becky Quick: Seeking investing advice for a 22-year-old neighbor. Is it better to advise him to continually slow drip into monthly income and dividend investments, as opposed to swinging for the fences with A.I. and growth stocks? What would you advise?

Charlie Munger: Oh, I don't think I have a one size fit all investment for... I think some people are gifted enough that they can invest in hard to value, difficult things, and other people, I think, would be very wise to have more modest ambitions in terms of what they choose to deal with. So I think you have to figure out your level of skill, or the level of skill your adviser has, and that should enter the

equation. But, ***to everyone who finds the current investment climate hard and difficult and somewhat confusing, I would say, welcome to adult life.*** But of course it is hard. It's going to be way harder for the group that is graduating from college now. For them to get rich and stay rich and so forth, it's going to be way harder for them than it was for my generation. Think what it costs to own a house in a desirable neighborhood in a city like Los Angeles. And I think we'll probably end up with higher income taxes, too and so on. No, I think the investment world is plenty hard and I don't think the... In my lifetime, 98 years, it was the ideal time to own a diversified portfolio of common stocks that updated a little by adding the new ones that came in like the Apples and the Alphabets and so forth. I'd say the people got maybe 10-11% if you did that very intelligently before inflation and maybe 8 or 9% after. That was a marvelous return. No other generation in the history of the world ever got returns like that. And I don't think the future is going to give the guy graduating from college this year nearly that easy an investment opportunity. I think it's going to be way harder.

Becky Quick: What worries you most about our economy and the stock market, and on the other hand, what makes you optimistic?

Charlie Munger: Well, you have to be optimistic about the competency of our technical civilization. But there again, it's an interesting thing. If you take the last hundred years, 1922 to 2022, most of modernity came in in that 100 years. And in the previous 100 years, that got another big chunk of modernity. And before that, things were pretty much the same for the previous thousands of years. Life was pretty brutal and short and limited, and what have you. No printing press, no air conditioning, no modern medicine. I don't think we're going to get things in what I call the real human needs. Think of what it meant to get... Say first, you got the steam engine, the steam ship, the railroad, and a little bit of improvement in farming and a little bit of improvement in plumbing. That's what you got in the hundred years that ended in 1922. The next hundred years gave us. Widely distributed electricity, modern medicine, the automobile, the airplane, the records, the movies, [the air conditioning in the south](#) and think what a blessing it was if you...wanted three children, you had to have six because three died in infancy, that was our ancestors. [Think of the agony of watching half your children die.](#) It's amazing how much achievement there's been in civilization in these last two hundred years and most of it in the last hundred years.

Now the trouble with it is, is that the basic needs are pretty well filled. In the United States the principal problem of the poor people is they're too fat. That is a very different place from what happened in the past, in the past they were on the edge of starving. And what happens is it's really interesting, is with all this enormous increase in living standards and freedom and diminishment of racial inequities and all the huge progress that has come, people are less happy about the state of affairs than they were when things were way tougher. And that has a very simple explanation. ***The world is not driven by greed, it's driven by envy. The fact that everybody's five times better off than they used to be, they take it for granted, all they think about is somebody else has more now and it's not fair that he should have it and they don't.*** That's the reason that God came down and [told Moses](#) that you couldn't envy your neighbor's wife or even his donkey. I mean, even the old Jews were having trouble with [envy](#). And so it's built into the nature of things. It's weird for somebody my age because I was... In the middle of the Great Depression, the hardship was unbelievable. I was safer walking around Omaha in the evening than I am in my own neighborhood in Los Angeles after all this great wealth and so forth. I have no way of doing anything about it. ***I can't change the fact that a lot of people are very unhappy and feel very abused after everything's improved by about 600% because there's still somebody else who has more.***

I have conquered envy in my own life. I don't envy anybody. I don't give a damn what somebody else has. But other people are driven crazy by it. And other people play to the envy in order to advance their own political careers. And we have whole networks now that want to pour gasoline on the flames of envy. I like the religion of the old Jews, I like the people who were against envy. Not the people who are trying to profit from it... Think of the pretentious expenditures of the rich, who in the hell needs a real Rolex watch so you can get mugged for it, you know? ***Yet everybody wants to have a pretentious expenditure***, and that helps drive demand in our modern capitalist society. ***My advice to the young people is don't go there. The hell with the pretentious expenditure. I don't think there's much happiness in it.*** But it does drive the civilization we actually have. And it drives the dissatisfaction. Steve Pinker ([Video 1, 2](#)) of Harvard is one of our smart modern academics. He constantly points out how everything has gotten way, way, way the hell better. But the general feeling about how fair it is has gotten way more hostile. And as it gets better and better, people are less and less satisfied. That is weird, but that's what's happened.

Becky Quick: What's the toughest moment you've shared with Warren, and of course, what's the very best memory you've shared during your life with him? You two seem like you are brothers by a different mother. May God continue to bestow his blessings on you together. You're one of the United States of America's greatest treasures, and individually, you ain't too bad either.

Charlie Munger: Well. God is about to give a different kind of a blessing on word than me, he's going to give us whatever afterlife there is. And of course, nobody knows anything about that. It's been a great run. Warren and I have had a great run. And one of the really great things about it is that we've been surrounded by wonderful people. The people we shared in our work lives and what Gerry and I have done in this little business, it's been a pleasure, hasn't it, Gerry?

Gerry Salzman: Yes, sir.

Charlie Munger: It's been a privilege to do it and a privilege to be here and so forth. And ***we haven't had a dumb bureaucracy like a lot of other places, and we've managed to cope pretty well with the problems that came to us and the opportunities to.*** And so we've been blessed. It's all old-fashioned virtue, Gerry and I don't have any secrets. We tend to get the day's work done and be as rational as we can in coping with whatever we have to cope with and that will always work for people who get good at it. But Warren and I have been very fortunate, and of course, there are lessons you can learn from our... There are so many people that live surrounded by tyranny. There are a lot of bosses in the world that are absolutely impossible to be under. They're really psychotic and you really can't do anything about it in many cases. Warren and I haven't had those problems. That's a blessing.

Becky Quick: You seem extremely happy and content, what's your secret to lead a happy life?

Charlie Munger: Well, I always say the same thing, Realistic expectations, which is low expectations. If you have unreasonable demands on life, you're like a bird that's trying to destroy himself by bashing his wings on the edge of the cage, and you really can't get out of the cage. It's stupid. You want to have [reasonable expectations](#) and take life's results good and bad as they happen with a certain amount of stoicism. They'll never be any shortage of good people in the world. All

you got to do is seek them out and get as many of them as possible into your life and keep the rest the hell out.

Becky Quick: In your storied investor career, which investment did you like the most and why? And which one was a dog?

Charlie Munger: Well, that's rather interesting. One of the investments nobody ever talks about at Berkshire is a World Book Encyclopedia. I grew up on it, you know they used to sell it door to door. They had every word in English language graded for comprehension and had a vast amount of editorial input. So it was easy for a child who wasn't necessarily a brilliant student to understand that encyclopedia. It was more understandable. And Berkshire made \$50 million a year pre-tax out of that business for years and years and years. And I was always so proud of it because I grew up with it and it helped me and so forth. And of course I like the 50 million a year. And then a man named Bill Gates came along and he decided he's going to [give away a free Encyclopedia](#) with every damn bit of his personal computer software. And away went our \$50 million a year. Now we still sell the encyclopedia to the libraries, maybe make a few million a year doing that, but most of the wealth just went away and all that wonderful constructive product. It's still a marvelous product. And it wasn't good that we lost what World Book was doing for the civilization, and I was so proud of World Book... But now it's pretty well gone away in terms of its worldly significant and the money went with it. ***That's just the way capitalism works. It has [destruction](#)...*** And some of the things you lose, you're really going to miss. And you're not going to replace them. I don't think these TV programs that charm our children are as good as the World Book was for them. World Book helped me get ahead in life. And the people who aren't going to read the World Book and who are hanging in front of the TV set, they're not blessed, they're cursed. Now there advantages too in to having a television. By the way I'm not weeping any tears that I don't have my World Book anymore. I've adjusted. I miss it, but I...

Becky Quick: Of the five people or so you most admire, could you please name a few so that we might become more familiar with and potentially learn from these individuals?

Charlie Munger: Well, I don't have any one person that I admire. I would argue that the greatest governmental leader whose life overlapped mine was [Lee Kuan Yew](#) of

Singapore. I would argue that he was the one that [taught Deng Xiaoping](#) of China how to fix China the way Singapore had fixed itself. And so it was a huge achievement. So I've seen some remarkable... I think the Marshall Plan that my country did after World War II, was a marvelous thing and that was a credit to the human race. I've seen a lot that I'm proud of. On the other hand, I see a lot now that I'm not proud of. I don't like this crazy hatred in our party system. I don't see anything wrong with having a good size government safety net that goes up as GDP... I think we'd be crazy to be as rich as we are without a good governmental safety net. By the way, you know where that came from? Otto Bismarck. He was the "Iron Chancellor" of Germany, exercising the unlimited power of a German king. That's who [gave us Social Security](#) and so forth. Nobody thinks of Otto Bismarck as a great hero of democratic capitalism, but he really was. It shows how complicated life is. Strange things happen. My hero, Otto Bismarck. I've never seen Otto Bismarck's picture on an American wall. He should be there. Well, Becky, have you had enough?

Becky Quick: Yes, Charlie, I want to thank you very much for your time today, Gerry, thank you too and thank everybody for all the questions today. Appreciate everybody coming to the Daily Journal meeting today.

Charlie Munger: The weirdest thing happened. It isn't that we want to be the guru for the world or something. We used to know all the shareholders and we felt they only come in once a year, we ought to at least stand here and answer questions. And they started asking these odd questions and we kept answering it. And there was a market for it we kept doing it. So Warren and I are artificial, accidental gurus. I used to be sort of bothered by it because I don't ordinarily make this many pronouncements. But I've gotten used to it, and I hope you people have to.

Becky Quick: We have.

Charlie Munger: All right I guess we're through.

End of Transcript

Thank you for reading. I hope you all thoroughly enjoyed the transcript. If you found any errors, kindly let me know and I will fix them. Furthermore, if you'd like to be informed of future posts, transcripts, or events, please subscribe.

Sincerely,

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

Richard Lewis, CFA
White Stork Asset Management LLC
Partner, Investments

Links to additional Transcripts:

Worldly Partners Confidential