

Daily Journal Corporation - Shareholder/Analyst Call

2/15/23

Steven Myhill-Jones

All right. Ladies and gentlemen, the meeting will come to order. Hello, everyone. I'm Steven Myhill-Jones, the new Chairman and Interim CEO of Daily Journal Corporation as of the end of March 2022. I'm here today at our Los Angeles headquarters with an individual who really needs no introduction, the legendary, Mr. Charles T. Munger, who until last year served as Daily Journal Corporation's Chairman for many decades.

I'm grateful that Charlie, who remains a Director on our Board, has agreed to join us today. I also want to acknowledge and express our gratitude that Mr. Munger continues to manage Daily Journal Corporation's considerable portfolio of marketable securities and at no cost of the business, I might add. So thank you, Charlie.

Over the years, this annual shareholder meeting has become an increasingly popular event. And it's been a unique and wonderful opportunity to hear from and ask questions with Mr. Munger. I recognize this is why many of you are joining us today. And so my goal is to go through our formal business as quickly as possible without sounding too much like an auctioneer.

I also want to say that we really wanted to return to an in-person format this year with an audience of our shareholders actually here with us and with the other members of our Board, Mary Conlin and John Frank joining us on stage. However, for health and safety reasons, we opted to err on the side of caution again this year and do another round of the online approach that we've followed over the pandemic. I recognize we're all done with COVID, but COVID doesn't quite appear done with all of us.

So before I turn things over to Becky Quick of CNBC to moderate the Q&A, we'll now proceed to the formal business of the annual meeting. Michelle Stephens, Executive Vice President and Secretary of this meeting; and [Ellen Ireland] is Inspector of Elections. Ellen, will you please report the number of shares represented at this meeting?

Unknown Attendee

On December 16, 2022, the record date fixed by the Board of Directors for determining the shareholders entitled to vote today, there were 1,377,026 shares of common stock of the corporation outstanding. I have a list of the shareholders who are of record of that date, certified by the corporation's transfer agent, Equiniti Trust Company. I also have an affidavit certifying the completion of the mailing of the notice of this meeting, the proxy card and the 2022 annual report, along with a prepaid postage return envelope to the shareholders.

The total number of shares represented by proxy at this meeting is 849,758, which is more than a majority of voting power of all outstanding common stock of the corporation, and the meeting may proceed. I will attach the affidavits to the minutes of this meeting and have a copy of the minutes of the last annual meeting.

Steven Myhill-Jones

Thank you. A majority of the voting power of the corporation is represented at this meeting, and this meeting is ready for the transaction of business. As the first order of business, we will act upon the first proposal, which is the election of Board of Directors. Four directors are to be elected at this meeting, and the following people have been nominated and received a number of votes and are thus elected to serve: Charles T. Munger, Mary Conlin, John B. Frank, Steven Myhill-Jones. The inspector of elections has tabulated the vote.

Unknown Attendee

The nominees have received the following number of votes: Charles T. Munger, 428,537; Mary Conlin, 516,625; John B. Frank, 573,419; Steven Myhill-Jones, 543,229.

Steven Myhill-Jones

Since each of the nominees has received the number of votes required for his or her election as director, I declare that each has been elected director to serve for the next year until his or her successor has been elected and qualified.

The second proposal is the ratification of the selection of the independent registered public accounting firm. The Audit Committee and the Board of Directors have selected Baker Tilly US, LLP for this fiscal year. And the ratification requires a vote of the majority of the shares represented at this meeting. The Inspector of Elections has tabulated the vote: for, 846,716; against, 1,097; abstain, 1,945. Proposal 2 is hereby declared approved by this meeting.

The third proposal concerns the advisory note on executive compensation. Tu To, our CFO, and I are the only executive officers of the company, and our compensation is described in the proxy statement. The approval requires a vote of the majority of the shares listed -- represented at this meeting. The Inspector of Elections has tabulated the vote, and the following votes have been cast: for, 608,903; against, 1,296; abstain, 3,005. Proposal 3 is hereby declared approved by this meeting.

The fourth proposal concerns the advisory note on the frequency of the advisory vote on approval of executive compensation. The option of 1 year, 2 years or 3 years that receives the highest number of votes cast will be the frequency for the advisory vote on executive compensation selected by the shareholders. The Inspector of Elections has tabulated the vote, and the

following votes have been cast: 1 year, 185,735; 2 years, 4,281; 3 years, 416,321. Accordingly, the stockholders have elected to hold the vote on executive compensation once every 3 years.

Since there is not any further business to be brought before the meeting, the meeting is adjourned.

We'll now transition to the Q&A once again with Becky Quick of CNBC serving as our moderator. Thank you in advance, Becky. I recognize most questions will be for Charlie, and I'll likely answer the occasional question if it's specifically about Daily Journal or Journal Technologies. Thanks, everyone. Over to you, Becky.

Rebecca Quick

Steven, thank you very much, and welcome, everyone. We got a great number of questions that came in, and I've tried to sort through as many as I could. We'll go through as many of these questions as we can during the session. But first of all, Charlie, thank you for taking the time today.

The first question that we have comes from [Ryan Fusaro], and his question is related to Journal Technologies. He says, "Can you give an update on the company's new CEO, Steven Myhill-Jones? He was appointed as interim CEO nearly 1 year ago. How is he performing? And when will the decision be made on selecting a permanent CEO?"

Charles Munger

Well, the answer is Steve chose his own titles coming in and we'll change whenever he wants to change it. How's that?

Rebecca Quick

That sounds fair enough.

Steven Myhill-Jones

Yes. No.

Rebecca Quick

Steven?

Steven Myhill-Jones

Yes, I'll say that when we were in discussions a year ago, I told Charlie that I was committed to ensure the success of the business, but that I wasn't sure I would be the right long-term CEO. And I had incomplete information at that time, and I thought it was important that I have the optionality to hire someone better suited or promote from within if we discover that be a better path.

And I founded and helped grow a geography software company with no background in publishing or the legal and court sector. And what I can say now is that the parallels between the software company I built in and Journal Technologies are remarkable. And I believe I can add value. I like the business and the potential for it. So I expect a lot of clarity on our long-term approach sometime later this year.

Rebecca Quick

Okay. Steven, thank you. The second question comes in, and it's in regards to capital allocation. This is from Paul in Linwood, Michigan, [Paul Fam]. In the past year, you've -- in the past, you've described Daily Journal's unique position of being a newspaper, which generated enough excess cash in the past to invest in an equity portfolio. Now its fastest-growing subsidiary, Journal Technologies accounts for a large part of the company's earnings. Is the technology business a natural area to allocate excess capital for the best return on equity for the company?

Charles Munger

The sound has gone off.

Rebecca Quick

Oh, can you hear me, Charlie? I'll keep talking.

Charles Munger

I can't hear you.

Rebecca Quick

1, 2, 3, 4, 5. I'll test this out. Maybe you guys can play me -- I don't know if there's a Voice of God you could play to the floor there, but I'll keep talking on the hopes that Charlie can pick up on this. And Charlie, just let me know when you do hear this.

This is a question, again. It sounds like they're not hearing, folks. I don't know in the control room if you guys have any ideas about what's happening. Again, this is the Annual Meeting for the Daily Journal Shareholders Meeting. We have a lot of questions that have come in for Charlie Munger, and we're going to be getting to those questions as soon as we can get the audio fixed for this. Sounds like...

Steven Myhill-Jones

Becky, we can hear you over -- someone's brought a tablet over, and we can hear you over the tablet for the time being.

Rebecca Quick

Okay. Steven, thank you. Charlie, I'll just wrap up. I don't know where this got cut off, but this is from [Paul Fam]. He was asking about capital allocation. And he's just wondering if the technology business is a natural area to

allocate excess capital for the best return on equity for the company. How should we think about or how does the current investment manager think about investing in the equity portfolio in relation to reinvesting in growing areas of the business or share buybacks?

Charles Munger

Well, it's all very simple. We made a lot of extra money out of the publishing business in its heyday, and that was about \$30 million. And that was all made in the foreclosure boom. And of course, in the old days, we had information monopoly on publishing the appellate court's decisions daily in newsprint. And the Internet came along and destroyed our position. Our circulation went way down and so forth.

So we've had a drastic change in good fortune in our publishing business. And Steve actually ran a small software company in Canada for years and years and years, which is quite similar to what Journal Technologies does. And so that's how we got together.

The future of this business is not in the publishing side, it's on the Journal Technologies side. And the good news is that we're a huge market because all the courts of the world are in the Stone Age still in terms of automating with modern technology. And so it's a big market.

The bad news is it's a long, slow slog where you deal with all of the bureaucracies in response to RFPs or request for proposals. And it's just a very slow, difficult business. So we got a slow, difficult business of chewing our way into a huge market that's not going away with one big competitor in it.

And that's the future. And like many publishing company, which used newsprint, it's a miracle when any survive. If you look in the small and mid-cap addition of the value line books, you'll find there are 2 entries left. One is Gannett, which used to own the monopoly newspaper, I don't know, 50, 60,

or 100 different cities. And the executive used to ride their own jet airplanes and be treated like lords of England when they went to publishers' convention.

And every newspaper publisher was a hugely powerful in this own community. And so they're like the lords of England, all these publishers. And now mighty Gannett is just a pale shadow of itself. Newspapers shrunk down to a tiny little few and very limited assets and so forth.

So there's been an unbelievable change in the technology and competitive outcomes in publishing ordinary newspapers on newsprint. And by and large, the safe rule is they're all dying just in different states of near death.

And so if this place has a future, it's in the Journal Technologies side. And that's a long, slow grind. And the only reason we have a lot of marketable securities is we have the extra money, and we preferred the marketable securities to cash in an inflationary world. And so -- and of course, there's been a minor miracle that we've got as much as we have in marketable securities because our investments have done better than average.

Rebecca Quick

As a follow-up...

Charles Munger

So the good news is we survived so far, and we've got some surplus wealth. And the bad news, it's a long, slow slog ahead, and the main future is in Journal Technologies.

Rebecca Quick

As a follow-up to that, this is a related question. It comes from [Gareth Moore] in Northern Ireland, and maybe you can both comment on this. He says that given the extended amount of time that it will take to digitize the

court systems because of complexity, risk and bureaucracy and the fast-moving world of software innovation, how can shareholders be assured that Journal Technologies solution remains cutting-edge long enough to reward shareholders? And how do you think about the risk of arriving in 2030 with a great software business, which only lasts a few years until it gets disrupted by some new technology?

Steven Myhill-Jones

Sure. I mean...

Charles Munger

Steve, you take that one.

Steven Myhill-Jones

Yes. Of course, there are no assurances. And at the same time, I do have some background dealing with this challenge because I did it for 19 years with my former company. And we earn consistent and appealing profits, and I expect the model is still working well for the folks who acquired us.

I think a key responsibility is to get technology change working for us and our customers rather than against us. And it takes advanced planning and investment to engineer software with change over time in mind. And so it's inherently upgradable.

And I think this model works with great if you can establish a sufficient licensee base to fund that proactive R&D to evolve products in a way that manages technology change so that -- and it also needs to be highly repeatable. And I think all of this requires a mindset that enterprise software development is an ongoing process and not a onetime event and so are customer deployments.

Rebecca Quick

Okay. Let me move on to another question that comes from [Gage Sanchez]. Gage writes in with a question for you, Charlie. 2 years ago, during the 2021...

Steven Myhill-Jones

Yes.

Rebecca Quick

Yes, let's try that.

Steven Myhill-Jones

Okay. We can hear now.

Rebecca Quick

So you've got the speaker there? Okay. So [Gage Sanchez] writes in and says, "2 years ago, during the 2021 Annual Meeting, you said Daily Journal's \$350 stock was selling way above the price that you would pay for the new shares. As I write this, Daily Journal trades for \$305 a share, a \$420 million market cap. With a total equity portfolio value of over \$310 million, debt charge is covered several times over by the bank's dividends. And Journal Technologies' off financial statement value in huge markets, do you still hold the same belief?"

Charles Munger

Well, you accurately stated our circumstances. We do have a lot of surplus wealth, but we needed to attack this big market. These courts, why would they gamble on a little company with no net worth, the courts that are letting the RFP contracts. So we're using our net worth to help the business.

Rebecca Quick

But does that get at the question of whether you'd buy the stock at \$305?

Charles Munger

Well, I don't buy it, and I don't sell it. So that's what the Mungers have been doing. You know what?

Steven Myhill-Jones

We now have...

Charles Munger

It's not a crazy evaluation considering what everything else is selling for these days. So I have no feeling that it's -- almost foolishly I have some crazy mystique, somebody, well, it's a small Berkshire, and it will double like rabbits. And of course, it's not a small Berkshire. I'm 99 years old [indiscernible].

Rebecca Quick

That question mentioned the bank dividends that you all have at DJCO. Another person wrote in, [Norman Bergman], who asks, "Charlie, Berkshire has unloaded the bank stocks. If it's not good enough for Berkshire shareholders, why is it good for us?"

Charles Munger

Well, I might have different ideas. If you own securities -- marketable securities within a corporation, located in California, you pay huge state and federal taxes and you sell things at a big gain. And that affects our willingness to sell somewhat. Those bank stocks I bought on the bottom tick in the foreclosure crisis. Literally, it was the bottom tick, and they're practically all gain.

So I immediately give the government 40-some-percent, everything we sell

out of it -- out of those bank stocks. So -- and of course, they're producing a tax -- the dividends are almost tax free. So based on what we would get if we sold them and the return we're getting out of the dividends, it's not so bad for us.

The answer is it's -- we're not in a normal position. All factors considered, we're willing to hold them for a while. And there is a big disadvantage in adding a huge layer of federal corporate taxes and state taxes between us and any money we make in a state like California, which is a very business unfriendly state as my people are rushing to come out and incorporate in California.

And there are all kinds of states that have no income taxes and deliberately use that lure to bring in corporations. California is trying to force its wealthy people and its wealthy corporations out of the state. And I must say it's working fine. They're leaving just one after another.

And that's just where it is. But if we succeed in the software business, it will all come good in the end. And if we fail, we have a crutch under us in our real estate and our securities, which means we won't lose so much from the present market price. So it's not a crazy thing to own now at the market valuation, but it's not cheap either.

Rebecca Quick

All right. All right. This next question comes from [Thomas Slane], who says he's a longtime Berkshire shareholder but a pretty recent Daily Journal shareholder. He says, "Well, I know that Daily Journal is not a mini Berkshire. I have suspected that there would be some shared principles in the area of governance, specifically regarding the Board of Directors. I'm surprised to see such a small ownership, 3 of the 5 own 0 shares. A fourth owns 100 shares." Thomas says, "Pretty unimpressive. Doesn't suggest much alignment between the Board members and shareholders." He says he's not trying to be rude, but he thinks it's a fair question.

Charles Munger

Well, what happened is we used to have [Garon and] Munger, who were the 2 biggest shareholders. And of course, we've been partners for years and years. And we took no fees, no directors fees, no expenses, no nothing. And so it was a very user-friendly Berkshire-type place.

Well, [Garon] died finally at age 90-some. And so now we're down to one last survivor of the old guard. And of course, we need a certain number of new directors. And our new directors are pretty damn smart, and they're all rich, by the way. So it's still a very Berkshire-like Board, smart and rich and thinking like a capitalist to -- we still -- we have that.

Steven Myhill-Jones

I would add that while I don't have equity yet, I'm certainly keen to participate in the future growth of the business. What should the timing of that be with someone as new as me? I think that's an interesting question. Thomas, I...

Charles Munger

We'll work it out.

Steven Myhill-Jones

Yes. Right now, I don't think that's impacting my drive or decisions. I already feel enormous skin in the game that Mr. Munger and the Board entrusted me to take the reins of the business is something I take very seriously.

Charles Munger

It's really quite interesting to have a pile of securities and one interesting activity in a very high-tech field and with a lot of politics and travel and difficulty in it. But it's a huge, huge market. And it isn't like there are a lot of

other people in it.

Most of the big corporations that would be our natural competitors are places where they -- they hate RFPs. In other words, one of the reasons the business is good for us is a lot of the big companies just hate what we're doing. They want easier money, they are able to sell standard piece of software just repeat it over and over and get.

They're spoiled. We're willing to slug it out of the mud of all these little consulting contracts. And that makes us to have literally a few competitors in the field.

Rebecca Quick

Charlie, since you brought up Rick Aaron -- oh, go ahead.

Charles Munger

No, go ahead.

Rebecca Quick

Well, since you brought up Rick Aaron, I want to get to this question from [Roni Pereira] in Mumbai, who says, "Your friend, Rick Aaron, passed away about a year ago. He was your long-time friend and business partner for several decades. How was he as a person, as an investor? And how do you remember his legacy?"

Charles Munger

Well, he was just terrific as a person, as an investor, and I miss him terribly, of course. We were together for years and years and years, and we were poor together, and that creates a bonding. When we met in 1961, we were both poor and struggling and young. So we had a long ride together. And -- but all things in, that's the nature of the human condition.

Rebecca Quick

I want to get to a question from Lee, just the first name from this shareholder, wrote in a question about ChatGPT and artificial intelligence and the impact on the Daily Journal's business model and civilization at large, says, "I'm not sure if you've tried to converse with ChatGPT, given all the rage in the news lately. Briefly, it's artificial intelligence known as a language model. It's trained on a large data set of text like books and articles. What are your thoughts on AI's impact on Daily Journal's business and more broadly, our civilization at large?"

Charles Munger

Well, I think artificial intelligence is very important, but it's also a lot of crazy hype on the subject. Artificial intelligence is not going to cure cancer. It's not going to do everything that we want done. And there's a lot of nonsense in it, too.

So I regard as a mixed blessing, all this artificial intelligence. Some people have used it in some things like insurance underwriting pretty well. But a lot of people tried to use it, ordinary things like buying office buildings or something, I think that's way more -- I don't think it's going to help when you're going to buy an office building. Not very much anyway.

Steven Myhill-Jones

Through the lens of Daily Journal Corporation, AI is something that we started experimenting within the summer -- in the summer for certain types of -- writing certain types of articles. That's something we're certainly tracking very closely.

I think in terms of complex work, I think it's a long way off. But for many types of activities, especially routine things, I think it will be fascinating to see how disruptive it is over a relatively short time horizon for many types of

work and activities.

Charles Munger

We had our big disruption when technology kind of severely -- it adversely affected our publishing business. And we have our opportunity in this new business, but it's just a long, tough slog. There's no short -- there's no royal road to success in what we're doing.

Rebecca Quick

Someone named [Peter Ferlin] wrote in from Oakville, Ontario. And he had a question that he asked ChatGPT to come up with a question to ask you, Charlie. And here's what ChatGPT came up with.

Mr. Munger, you've spoken about the importance of avoiding mental biases in decision-making. In your experience, what's the most challenging bias to overcome? And how do you personally guard against it? So I'd ask your answer to that question and then what you think of the question that GPT -- ChatGPT wrote for you?

Charles Munger

Well, what -- if I had to name one factor that dominates human bad decisions, it would be what I call denial. If the truth is unpleasant enough, people kind of -- their mind plays tricks on them, and they think it isn't really happening. And of course, that causes enormous destruction of business where people will go on throwing money into -- the way they used to do things, isn't going to work at all well in the way the world is now having changed.

And if you want an example of how denial is affecting things, take the world of investment management. How many managers are going to beat the indexes? All cost considered, I would say maybe 5% could consistently meet the averages.

Everybody else is living in the state of extreme denial. They're used to charging big fees and so forth for stuff that isn't doing their clients any good. It's a deep moral depravity. If some widow comes to you with \$500,000 and you charge her 1 point a year for her, you could put her in the indexes, but you need the 1 point. And so people just charge somewhat a considerable fee for a worthless advice.

And the whole profession is full, that kind of denial. It's everywhere. So I had to say I was -- I always quote Demosthenes. It's a long time ago, Demosthenes, that's 2,000 -- more than 2,000 years ago. And he said, what people wish is what they believe. Think of how much of that goes on.

And so, it's of course, is hugely important. And you can just see it. I would say the agency costs and money management, there are just so many billions, it's uncountable. And nobody can face it. Who wants to -- keep your kids in school, you need the fees, you need the brokerage, you need this or that.

So you do what's good for you and bad for them. Now I don't think Berkshire does that. And I don't think we -- [Garon] and I did at the Daily Journal. [Garon] and I never took entire month salary or directors' fees or anything.

And if I have a business, I talk out of my phone or use my car, I don't charge it to the Daily Journal. That's unheard of. It shouldn't be unheard of, and it goes on in Berkshire. It goes on in the Daily Journal, but we have an incentive plan now in this Journal Technologies.

And it has \$1 million worth of Daily Journal stock. That didn't come from the company issuing those shares. I gave those shares to the company to use in compensating the employees. And I learned that trick, so to speak, from a guy at BYD, which is one of the securities we hold in our securities portfolio.

And BYD at one time in its history, the founder, Chairman, he didn't use the company's stock to reward the executives. He used his own stock. It was a

big reward, too. Well, last year, what happened? BYD last year made more than \$2 billion after taxes in the auto business in China. Who in the hell makes \$2 billion, who's a brand-new entrant in the auto business for all practical purposes. It's incredible what's happened.

And so there is some of this old-fashioned capitalist virtual lift in the Daily Journal, and there's something left in Berkshire Hathaway, and there's something left in BYD. But most places, everybody is trying to take what they need and just rationalizing whether it's deserved or not.

Rebecca Quick

Charlie, you bring up BYD. So I'll jump to a question from [Stephen Spencer], who writes in from New York, New York. He's curious why Mr. Munger prefers an investment in BYD to Tesla.

Charles Munger

Well, that's easy. Tesla last year reduced its prices in China twice. BYD increased its prices. We're direct competitors. We're so much ahead of BYD -- I mean, BYD is so much ahead of Tesla in China. It's like -- it's just -- it's almost ridiculous.

And if you look at BYD, which most of you never heard of, if you count all the manufacturing space they have in China to make cars, it would amount to a big percentage of what we have in Manhattan Island. And nobody ever heard of them a few years ago.

Rebecca Quick

All right. Let me jump to another question. This one comes from Michael [Assetto] who says, did the -- this is with regards to some movement at Berkshire, some sales of Berkshire's stake holdings. " Did the sale of BYD and Taiwan Semi shares have anything to do with the relations between the United States and China? Or was it for purely economic reasons?"

Charles Munger

Well, BYD is talking about 50x earnings. That is a very high price. On the other hand, they're likely to have increased their auto sales by another 50% this year. So it's -- we saw a part of ours, by the way, years ago -- not years, about a year ago at a much higher price than they're selling for now.

And no, we're not a mini Berkshire. We're not going to have a big correlation between us and what Berkshire does. And you could understand why somebody will sell Berkshire's -- BYD stock at 50x earnings at the current price of BYD stock, a little BYD is worth more than the entire Mercedes Corporation, market capitalization. So it's not a cheap stock.

On the other hand, it's a very remarkable company. And by the way, I want to tell people the great contribution I made to the success of BYD. We got into it through Li Lu, and it was a little company that knocked off the Japanese cellphones.

And the Chairman of this company was a -- genius say, I'll buy a bankrupt, a little crappy auto plant and go to the auto business from dead scratch when he's making cell phones little [indiscernible] company. And both Li Lu and I tried talking about it. Please don't do this dumb thing.

You get your head handed to you in the auto business, little BYD and so forth. Well, last year, they made more than \$2 billion in the auto business from that standing start at 0. It's unheard of. But Li Lu and I get all the credit because we tried to get him -- we tried to talk about doing what works so well, which shows that there's some accident in life.

Rebecca Quick

Charlie, this question comes from [Michael Gallagher]. He says, "According to company filings, it appeared that Alibaba shares were purchased with leverage. And when the stock price fell last year, he was seemingly forced to

sell," he being you. "Can you ask Charlie to confirm that it was bought with leverage? And if so, why would he do that as it seems to go against his philosophy? " I got several questions that were similar to that.

Charles Munger

Yes, it's true. I operated with no leverage for long stretches of my old age and Warren is the same way. And recently, I did use a little bit of leverage here in another place because the opportunities were so ridiculously good. I thought it was desirable to do that.

So you're right, it's unusual for us, but we did find a few things. And by the way, if you go back early in my career, I used some leverage. I sometimes ask myself a mettle question, I say, "What is the appropriate percentage of your net worth you should put it in the stock if you think it's an absolute cinch?"

Well, if you're kind of fellow who's right when you think something is the cinch the answer is 100% or maybe 150%. But nobody teaches people to think that way in finance. But if the opportunity is great enough, the logical answer is 100% or maybe 200%.

Rebecca Quick

Somebody else wrote in, and I don't have the e-mail in front of me at the moment, but he wrote in quoting you, where you said the 3 things that ruin people are ladies, liquor and leverage. So why would you use leverage when you know that's 1 of the 3 things that can destroy somebody?

Charles Munger

Well, I used a little on my way up, and so did Warren, by the way. The Buffett partnership used leverage regularly every year of its life. What Warren would do is, he would buy a bunch of stocks and any borrower -- and so stocks need by end of these -- they used to call the bad arbitrage, liquidations, mergers and so forth. And that was not -- didn't go up and down with the

market. That was an independent banking business.

And Ben Graham's name for that type of investment, he called them Jewish Treasury Bills. And it always amused me that's what he would call them. But Warren used leverage to buy Jewish Treasury Bills on the way up, and it worked fine for him.

I don't think neither of us, everybody is -- well, no, Berkshire has stock in Activision Blizzard. And you can argue that's -- whether that will go through or not, I don't know, but that's the Jewish Treasury Bill.

Rebecca Quick

Arbitrage, the arbitrage play on Activision?

Charles Munger

Well, yes, [indiscernible] arbitrage -- we sort of stopped doing it because it sets a crowd in place. But here's little Berkshire doing it again and Activision Blizzard and Munger using a little leverage at the Daily Journal Corporation.

Rebecca Quick

So is leverage...

Charles Munger

You can argue that I used that leverage to buy BYD, you can argue it's the best thing I've ever done for the Daily Journal.

Rebecca Quick

So is leverage the least evil of the 3 Ls?

Charles Munger

I think most people should avoid it, but maybe not everybody need to play by

those rules. I have a friend who says, the young man knows the rules, and the old man knows the exceptions.

Rebecca Quick

All right, another question.

Charles Munger

He's lived right. He knows it.

Rebecca Quick

Yes. Another question comes in from [Brandon McKee]. He's also asking about some of the situations with Alibaba. He said, "How should investors view geopolitical events in regards to their investment in foreign countries? How do you look at the situation of the recent Chinese spy balloon in regards to the Alibaba investment?"

Charles Munger

Well, of course, it was a very interesting thing. Jack Ma was a dominant capitalist in Alibaba. And one day, he got up and made a public speech, where he said the communist party is full of monarchy. They don't know [indiscernible] they're no damn good, and I'm smart.

And of course, the communist party didn't like his speech. And pretty soon, he just sort of disappeared from view for months on end, and now he's out of BYD. It was pretty stupid. It's like poking a bear in the nose with a sharp stick. It's not smart. And Jack Ma got way out of line by popping off the way he did to the Chinese government.

And of course, it hurt Alibaba and -- but I regard Alibaba as one of the worst mistakes I ever made. In thinking about Alibaba, I got charmed with the idea of their position on the Chinese Internet. I didn't stop to realize they're still a

God damn retailer. It's going to be a competitive business, the Internet. It's not going to be a cakewalk for everybody.

Rebecca Quick

Just about China in general, I had a lot of questions that came in regarding that. I'll ask this one from [Wilco Schulzendorf]. It's coming in from Walnut Creek, California, who just said, "Previously, you stated that despite certain shortcomings, China was generally moving in the right direction. However, with the recent actions taken by the Chinese government such as capriciously punishing technology and educational companies, declining to import effective COVID vaccines, escalating threats towards Taiwan, do you still maintain that China is a viable investment option for foreign capital? Or is China experiencing a similar regression as Russia has seen under Putin's leadership that culminates in the invasion of Taiwan?"

Charles Munger

Well, that's a very good question, of course. But I would argue the chances in a big confrontation from China have gone down, not up because of what happened in the Ukraine. I think that the Chinese leader is a very smart, practical person. And he doesn't -- Russia went into the Ukraine is like a cakewalk.

I don't think Taiwan looks like such a cakewalk anymore. I think it's off the table in China for a long, long time. And I think that helps the prospects of investors who invest in China. And the other thing that helps in terms of the China prospects are that you can buy the best -- you can buy better, stronger companies at a cheaper valuation in China than you can in the United States.

So you're getting -- the extra risk can be worth running, given the extra value you get. That's why we're in China. It isn't like we prefer being in some foreign country. Of course, I'd rather be in Los Angeles right next to my

house. It will be more convenient. But I can't find that many investments right next to my house.

Rebecca Quick

Just a follow-up on that. Alex [Wrightson] -- [Alex Furmansky] --I'm sorry, it's a very small print, writes in, "How have political events in China over the last few months affected your thinking on the country?" Several people, including me, were taken aback by the forceful withdrawal of former President, Hu Jintao, at the October 22 Annual Congress. President Xi seems to have consolidated power, and his actions have indicated that he thinks very differently about the role of business in Chinese society."

Charles Munger

Well, I have more optimism about the leader of the Chinese party than most people do. He's done a lot right, too. And he had led a big anticorruption drive. He's done a lot of things right. So -- and I don't know where this man lives. Where is there a place where the government is perfect in the world of sin and sorrow? Democracies aren't that rigidly run either. So it's natural to have some decisions made by government that don't work well. It's natural to have decisions in each individual life that don't work very well.

We live in a world of sin, sorrow and misdecision. That's what human beings get to cope with in their days of life. So I don't expect the world will be free of folly and mistakes and so forth. And I just hope I've invested with people who have more good judgment than bad judgment. I don't know anybody who's right all the time.

Rebecca Quick

And [Keith] from Cupertino, California writes in, and this is in the same vein but a little more focused. "How should we think about the political climate around Taiwan and the long-term impact on the semiconductor industry?"

Specifically, do you see the chips -- the CHIPS and Science Act favorably?"

Charles Munger

Well, the semiconductor industry is a very peculiar industry. In semiconductor industry, you have to take all the money you've made, and with each new generation of chips, you throw in all the money you've previously made. So it's compulsory investment of everything you want to stay in the game.

Naturally, I hate a business like that. In Berkshire, we like a whole lot of surplus money to come in that we can do something else with. And of course, now if you're now ahead of it, like Taiwan Semiconductor is, that may be a good buy at these prices.

It's not at all clear to me that they're not going to succeed mightily. But it's a difficult -- its bit of an enormous promise for the big winner, but it's a difficult business and requiring everybody to keep increasing the bets on and on with all the money. And so -- it's not perfect, that semiconductor business.

But remember when Intel owned the world? Intel was once the Taiwan Semiconductor business of the world. They invented the damn business, and they've dominated it for decades. And it's not clear to me that Intel is going to have a very decent semiconductor business, getting as far behind as they are now. My answer is it's not so damn foolproof as it looked.

Rebecca Quick

Even with the incentives to build plants here in the United States, like Intel is doing in Ohio?

Charles Munger

Well, of course, that will really help. But they're borrowing money. There's no indication that government is going to forgive the loans or something. It's not

like the recent loans to the business where they said, "we'll you owe the money and then oh, keep the money."

The government is not planning to do that at least new semiconductor loans. And so -- okay, it's not a field where I feel I have a lot of expertise. What the hell do I know about semiconductors?

Rebecca Quick

Do you worry about any conditions that the government would put on companies that end up using any of that money with semiconductors or anything else?

Charles Munger

Well, of course, all of that, it's deeply intertwined with government policies in both China and the United States. So I would rather have something that's more foolproof myself. But I do think Taiwan Semiconductor is the strongest semiconductor company on earth. So I am a big admirer of what they've achieved. It's just incredible of what they've achieved.

Rebecca Quick

Speaking of things you like better...

Charles Munger

By the way, maybe a wonderful investment, the fact that I don't like it because I am an old man, and I don't like learning new tricks. That doesn't mean it isn't right for some younger person that understands it better than I do.

Rebecca Quick

Okay. And actually, that -- I'm going to switch gears. We'll come back to this question in a minute, but that leads me to this question about crypto that

Benjamin writes in. He says, "In 2007 at the USC Law School, Charlie said, I'm not entitled to have an opinion on this subject unless I can state the arguments against my position better than the people who are supporting it. The question is, does this also apply to your Wall Street Journal article on banning cryptocurrencies? And if yes, would you care to share the arguments against your position?"

Charles Munger

Well, I don't think there are good arguments against my position. I think the people who oppose my position are idiots. And so I don't think there is a rational argument against my position. This is an incredible thing. Naturally, people like who're in gambling and seals wherever people lose. And the people who had been in this crypto crappo which is my name for it, sometimes I call it crypto crappo and sometimes I call it well, crypto s***.

And it's ridiculous that anybody would buy this stuff. It isn't -- you can think of hardly nothing on earth has done more good to the human race than currency, national currencies. They were absolutely required to turn man from a damn successful ape into modern successful humans and human civilization. This has enabled all these convenient exchanges.

So if somebody says I'm going to create something that sort of replaces the national currency, it's like saying I'm going to replace a [natural] air. It's [indiscernible]. It isn't slightly stupid, it's massively stupid.

And of course, it is very dangerous. And of course, the governments were totally wrong to permit it. And of course, I'm not proud of my country for allowing this c***, what I call a crypto s***. It's worthless. It's no good. It's crazy. It will do nothing but harm and its antisocial to allow it.

And the guy who made the correct decision on this is the Chinese leader. The Chinese leader took one look at crypto s***, and he says "not in my China," and boom is over, there isn't any crypto s*** in China. He's right, and

we're wrong. And there is no good argument on the other side. I can't supply it.

Rebecca Quick

So does that counter what you said back at USC that you shouldn't have a position unless you can encounter?

Charles Munger

I do think you ought to be able to state a lot of issues. You ought to be -- how big should the social safety net be? That's a place where reasonable minds can disagree. And you should be able to state the case on the other side about as well so the case you believe in.

But when you're dealing with something as awful as crypto s***, it's just unspeakable. It's an absolute horror. And I'm ashamed of my country that so many people believe in this kind of crap and the government allows it to exist is totally, absolutely crazy, stupid gambling with enormous house odds for the people on the other side.

And they cheat -- in addition to cheating and like betting, it's just crazy. So that is something. There's only one correct answer for intelligent people there, just totally avoid it and avoid all the people that are promoting it.

Rebecca Quick

How do you feel about the gambling that took place at the Super Bowl and surrounding that and the legalized gambling taking place in this country at this point?

Charles Munger

Well, it's not as bad as crypto s***. I don't think there's much harm in betting a modest amount you can afford on a Supermarket Bowl game. That strikes

me as a pretty -- thing you do it with a friend and not with a bookie. So I don't have the same feeling -- I obviously don't think you should have a gambling impulse around betting against odds. If you take all the money that I have bet against odds in my whole life, I don't think it's more than a few thousand dollars.

Rebecca Quick

[Allan Shay] writes in, and he says...

Charles Munger

I'm all in favor betting with the odds.

Rebecca Quick

With the odds, yes. [Allan Shay] writes in and...

Charles Munger

Yes, sure.

Rebecca Quick

He says, "If Mr. Munger thinks that Bitcoin and Ethereum are rat poison, has he ever profited by shorting them?"

Charles Munger

No, I don't short. I have made 3 short sales in my entire life, and they're all more than 30 years ago. And one was a currency, and there were 2 stock trades. In the 2 stock trades, I made a big profit on one of them, made a big loss on the other, and they canceled out. And my currency bet, I made \$1 million, but it was a very irritating way to make \$1 million. I mean, I've stopped.

Rebecca Quick

Not worth the headache, I guess.

Charles Munger

Well, you can laugh, but that's true. It was irritating.

Rebecca Quick

Because you were worried?

Charles Munger

Well, like I'm asking you for more margin. I kept sending over treasury notes. It was very unpleasant. I made a profit in the end, but I never want to do it again.

Rebecca Quick

Charlie, I said I'd come back to this question. This was about something that you do like as an investment. Ami Patel from Montreal, Quebec writes in that you love Costco. So what do you think can hurt Costco's economic moat in the long term?

Charles Munger

Well, as long as Costco keeps the faith with a strong culture and their extreme low markup policy, I don't see any stopping at that. The trouble with Costco is it's 40x earnings. But except for that, it's a perfect damn company. And it has a marvelous future. And it has a wonderful culture, and it's been run by wonderful people. And I love everything about Costco. I'm a total addict. Never going to sell their share.

Rebecca Quick

The next question comes from David Kass, who is a Professor of Finance at the University of Maryland. He says he's a shareholder of the Daily Journal Corporation and would appreciate it if you'd answer one of these questions. The question that I'll ask from is President Biden has proposed increasing the tax on stock buybacks from its current level of 1% to a new higher level of 4%. What are your views on taxing stock buybacks?

Charles Munger

Well, I'm strongly opposed because I think if you're -- a good culture has a lot of people who are good fiduciaries. And it is like stealing to do something dumb with the corporate money once you can get more advantage to your shareholders from buying back your own stock. And I like encouraging morality and decency and honor, and so you're dealing with the people you're the fiduciary for. And so I agree with our President on some things, but this is not one of them.

Rebecca Quick

Vehemently disagree?

Charles Munger

What?

Rebecca Quick

Vehemently disagree?

Charles Munger

Say that again.

Rebecca Quick

Do you vehemently disagree?

Charles Munger

Well, I'm not vehement because it's not as bad as cryptocurrency. Yes, it's a forgivable error. But yes, I disagree strongly. I think it's a big mistake to adopt that policy. But I'm a Republican. I sometimes vote for Democrats, but I am a Republican.

Rebecca Quick

Another question on stock buybacks comes in from Ed Prendiville in Morristown, New Jersey. He says, "Berkshire share repurchases slowed considerably from \$3 billion in the first quarter of 2022 to \$1 billion in the second quarter and \$1 billion in the third quarter." Even though the price declined somewhat as did the general market, one would think that the buyback would increase with a lower stock price. Does Berkshire adjust its buyback price based on the intrinsic value of the approximately \$300 billion stock portfolio or the quoted price?"

Charles Munger

I never pay any attention on how they do it. They're cautious and careful people. And -- but if you take the amount that's been brought back in the last 3 years, it's a lot. And so I thoroughly approve what we're doing, and I don't consider at all fair that we're being taxed. We're doing something good for our own shareholders.

Rebecca Quick

The President laid out the case today, I think he said something like north of 90% of executives are paid with stock compensation, at least in part. He said -- maybe this was yesterday that he said this. He said that, that's not fair. The best way to boost your own compensation is to buy back your shares. So it helps the executives, it helps the shareholders, but it doesn't help the employees or other constituents.

Charles Munger

Well, there's no question about the fact that he sympathizes with the employees more, and that's understandable. And a lot of people would have the President's orientation on that issue. And I don't have a big opinion about how well thought it'd be distributed in the country.

I think -- I don't know the answer. I do think we need a capitalistic system if we want to have a productive economy to make some of these in advance.

Rebecca Quick

All right. The next question comes in from Michael, and I think his last name is [Masso], but I'm going based on the address from the e-mail and not his given last name. He says he's a very long-time Berkshire shareowner who read an irritating recent Barron's article that stated Berkshire shareowners could benefit after Warren as the company could come under pressure to break up. I don't see how we would benefit with our businesses being broken up. As you and Warren have long stated, the company as a whole is stronger than -- and one division could always aid another division in need. He said he knows Warren and you, Charlie, have said that the current structure and philosophies will be preserved after your departures. And I hope for a very -- I hope not for a very long time. However, please offer us shareowners reassurance that the company would never succumb to these silly pressures to break it up.

Charles Munger

Well, I don't think it's at all likely that we're broken up for a long, long time. A lot of companies are worth more dead than alive, meaning at the current price for whole businesses, you could sell things at higher prices. You can only do it once. The shareholders will pay a big tax then you have the problem of what to do with the money and forth. I think all factors considered and with Berkshire buying in its own shares when they are

reasonably priced, I think Berkshire's a pretty damn good bet for shareholders as a whole of long term in the future.

And I don't think it's any hardship. It isn't being broken up. It works pretty damn well. Everybody that bought Berkshire and held it for 20 years has done well. I think that will be true for those who buy at the current price.

Rebecca Quick

What about the potential for pressure?

Charles Munger

I don't think it will be as good in the future as it was in the past, but it will be okay considering how poorly everything else is going to do.

Rebecca Quick

Why do you think everything else is going to do so poorly?

Charles Munger

Because the valuations start higher now and because government is so hostile to business.

Rebecca Quick

And that's a view over the next 5, 10, 20 years? How far out are you thinking?

Charles Munger

I would say it will fluctuate naturally between administrations and so on. But I think basically, the culture of the world will become more and more anti-business in the big democracies. And I think taxes will go up, not down.

So I think the investment world is going to get harder for everybody. And -- but it's been almost too easy in the past for the investment class. It's natural

that it would have a period of getting harder. I don't worry about it much because I'm going to be dead. It won't bother me very much...

Rebecca Quick

I guess, you want to point out to people you're 99. Nobody lives forever, and that's what you're referring to? You're not sick at the moment...

Charles Munger

Yes, 99, right?

Rebecca Quick

You're not sick at the moment, right?

Charles Munger

No, I'm eating this good peanut brittle. That's what you want to do if you want to live to be 99.

Rebecca Quick

We did get some people who wrote in asking about what...

Charles Munger

I hate to advertise my own product, but this is the key to longevity.

Rebecca Quick

He eats peanut brittle, I can see. I saw the box earlier. We did get a lot of people who wrote in questions just asking what your daily habits are, what you do every day, if you exercise, if you think exercising a lot when you're younger is important to longevity?

Charles Munger

Well, that's a very -- I have almost no exercise, except when the Army Air Corps made me do exercise. I've done almost no exercise on purpose in my life. If I enjoyed the activity like tunnels, I would exercise. But for the first 99 years, I've gotten by without doing any exercise at all.

Rebecca Quick

And you're not planning on changing that anytime soon?

Charles Munger

No, no, I'm not changing it.

Steven Myhill-Jones

Other people's mileage may vary, yes.

Rebecca Quick

I'm looking for one question that somebody wrote in because I want to word it properly, and it has to do with what you've just been talking about. I don't know if I can find it. There's a lot of questions in here. No, here it is.

Somebody said, and this came from [Adi Gon] in Australia. What would the 100th day of your life look like? And how would you want to spend it when you step out of bed in the morning?

Charles Munger

Well, I step out of my bed these days and sit down in my wheelchair. So I am paying some price for old age. But I prefer it to being dead. And whenever I feel sad of -- in a wheelchair, I think Roosevelt ran the whole damn country for 12 years in a wheelchair. So I'm just trying to make this wheelchair thing last as long as Roosevelt did.

Rebecca Quick

That's a good plan. I like it. Somebody else wrote in, this is [Adam Mead], and he said, "Charlie, in your 1995 talk, the psychology of misjudgment, you listed senescence as a cause of misjudgment." You said, "Old people like me get pretty skilled without working on it at disguising age-related deterioration because social convention like clothing hides much decline." You went on to say that such decline was inevitable. He says, "You're my hero, Charlie, and I offer you this question with the utmost respect, but feel it needs to be asked. Would 71-year-old Charlie trust the judgment and mental capacity of 99-year-old Charlie?"

Charles Munger

Well, there's no question about the fact that you lose some mental acuity as you get older. But some people get shrewder at adapting to their limitations, and they do pretty well. And so far, I've had plenty of decline, but I'm pretty shrewd about the way I handle it. And so far, the results have not been that bad in my old age.

Rebecca Quick

As evidence...

Charles Munger

My s**life would be a different subject.

Rebecca Quick

Well, I will point out to people we have not given you any of these questions in advance. So you're taking blind questions.

Charles Munger

Yes, that's all right.

Rebecca Quick

Yes. For a large stretch of time on this, too. Okay. How do I follow that up? Just another question. This gets back to the investing what we were just talking about a minute ago, but Michael [indiscernible] writes in and says, "Given the increasing rate environment, what are the ramifications of moving away from a close to zero interest rate policy? Warren and yourself have frequently spoken about [Aesop] and a bird in the hand is worth 2 in the bush to describe the essence of investment decision-making. So what do you do now that the interest rate environment is changing?"

Charles Munger

Well, there's no question about the fact that the interest rates have gone up. It's hostile to stock prices. And -- but they should go up. We couldn't have kept them forever at 0. And I just think this is one more damn thing to adapt to in investment life as that there are headwinds and there are tailwinds.

And one of the headwinds is inflation. And I think more inflation over the next 100 years is inevitable with -- given the nature of democratic politics -- politics in a democracy. So I think we'll have more inflation. That's one of the reasons the Daily Journal owns securities instead of government bonds -- owns common stock instead of government bonds.

Rebecca Quick

When you say the nature of democratic policies, and I forget exactly how you worded it. Are you talking about the Democratic party? Are you talking about democracy as a whole?

Charles Munger

No, no. I'm talking about -- Trump ran a deficit that was bigger than the Democrats did. All democratic -- all politicians in a democracy tend to be in favor of printing the money and spending it. And that will cause some inflation over time. It may avoid a few recessions, too. It may not be all bad.

But it will do more harm than good, I think, from this point forward.

Rebecca Quick

Okay. On that point, [Ron Trerotola] says, "Should we continue to maintain a debt limit? The adjustment process seems to be a very simple and mechanical process. However, such a measure only seems to create an environment rife with political jockeying and sniping. What's the purpose if we continue to budget beyond our means and then the bill comes due?"

Charles Munger

Well, if you take the history of democracy in the world and go back far enough, it fails a lot and gets succeeded by dictatorships and all kinds of awful things. And as a matter of fact, the worst thing that happened to the human race in my lifetime was an advanced civilization like Germany was taken over by a dictator as awful as Adolf Hitler.

That happened as a consequence of a big worldwide depression. It would never have happened if we hadn't had the Big Depression. And once Hitler got in, that meant World War II was inevitable. And that could have worked out a lot worse than it did for the people like the United States.

So these things are quite important. And they're not going to be done perfectly in the future, no more than they were done perfectly in the past. So of course, you've got to expect a certain amount of future trouble in the world, and your government is going to do some things that aren't exactly right.

On the other hand, I would argue that the U.S. government did some things magnificently right. I said on many occasions that the thing that makes me proudest of my own government is the way we handled the sequel to World War II.

Instead of punishing the Germans and the Japanese, we made them into

some of our best friends on earth. Now that was a stunt. And it was to the credit of our country that, that was done. And it was done on a bipartisan basis. And I think we can all be proud of that. That was a smart thing to do. It took some generosity. We had to give up some of our money to help them rebuild.

And it was a credit to our species that we behaved that well on that occasion. And I don't think our future behavior will lack similar episodes of some kind.

Rebecca Quick

Will lack similar episodes or...

Charles Munger

We'll do some things very right and some things very wrong. That's the way it happens.

Rebecca Quick

Yes. That's very Churchill-esque, right? We'll try everything -- all the wrong things until we do the right thing.

Charles Munger

No, I will keep doing both wrong and right as far ahead as you can see.

Rebecca Quick

Charlie, [indiscernible] writes in from Chicago and wants to know if you think we might have on and off waves of inflation like we did prior to when Volcker stepped in at the Fed in 70s era.

Charles Munger

Of course, it will happen some in the future. Yes, I think we'll have some of that in the future.

Rebecca Quick

Do you think we'll have it immediately right now with what Jay Powell is dealing with?

Charles Munger

I don't regard myself -- I think I'm pretty good at long run expectations, but I don't think I'm good at short-term wobbles. I don't have the faintest idea what's going to happen short term.

Rebecca Quick

Okay. Well, let me ask this one as a follow-up. It's similar, and you may not want to answer this one either, but [Jake Polard] says, "Do you have faith in Jay Powell? Are you expecting a soft landing?"

Charles Munger

Well, the way I feel about Jay Powell is that I feel he's about as good as we have any right to expect. I think he's honorable and intelligent doing the best he can. And I have no feeling that I know a lot of people who'd do it a lot better. So I'm glad we have him.

Rebecca Quick

Charlie, another question comes in from [Chris Fried] of Philadelphia, Pennsylvania. He says, "You've recommended the use of an index fund for the average investor. As these index funds continue to expand in size, their influence on corporate boards and ultimately management is ever increasing. This concentration of voting in the hands of a few index funds is alarming to me. Do you see this concentration as alarming as well? And what

reforms would you suggest to address that issue?"

Charles Munger

Well, of course, it's a very serious issue because it's an enormous amount of power. And for a while, these index funds got the feeling they were suddenly made God-like to clean up the world. And -- but Vanguard has retreated from that policy and I think wisely so.

And I have some hope that Larry Fink will follow. I don't think it's smart for these index funds to try and influence the policy and politics of the country just because they're an index fund. I think they should be satisfied to eliminate some of the folly from investment management and do a better job for their clients, which I think they do very well.

And I think they should be pleased with that and not try and run the whole damn country as a matter of corporate governance. I have no feeling that anybody at Vanguard or Larry Fink's operation has any special genius at how American corporations ought to be run. And to the extent they ask Berkshire who is that, I wish they'd stop.

Rebecca Quick

Ask Berkshire to do what? Oh, to follow their guidance.

Charles Munger

I mean, I'm just not interested in their view as to how Berkshire should behave.

Rebecca Quick

All right. This next question comes from [Carsten Fetteroff], who is an equity analyst from Germany. And his question is stock-based compensation is a popular means of incentive compensation in many companies. In some

cases, these take on alarming proportions. It feels like companies are competing to outbid each other. In some companies, 20% of sales are paid out in stock-based compensation. How do you perceive this development in recent years? And what's a heavy -- what's a healthy level of incentives?

Charles Munger

Well, I think you will find in American corporations very good incentive systems and others that are too liberal and others that are too niggardly. And what else would you expect in human nature with a certain amount of variety. And I agree that some of this -- in many a corporation, everybody would vote to being allowed to have stock-based compensation. You didn't count it in computing the earnings. They just want any damn way of making the earnings appear higher. It's just human nature.

Of course, they want their -- it's like little kid goes off to school. They want to bring him good grades, not bad grades. And so sure, there's a big problem of excess corporation paying in some places. Other places like Costco, I would say the compensation system is damn near perfect. It's -- and there's a fair amount of stock.

But we always buy in enough stock in Costco to pay for the stock we're issuing. A lot of people in high tech, they issue the stock and they don't buy it in, so it's a net dilution. I think there's a lot that's wrong in American compensation systems and -- but why wouldn't there be?

Rebecca Quick

Yes.

Charles Munger

By the way, when I was young, it wasn't so bad.

Rebecca Quick

Why?

Charles Munger

This is something that's happened in the last 50 years. I don't know. It's just the history of the way things came up and greater hardship in the pioneering ethos or whatever it was, when I was young, nobody complained about executive compensation.

Now frankly, everybody in the investment world thinks in many cases, executive compensation has gotten too high. Take General Electric in its heyday. Think of all the big compensation packages. They pay -- then think of how they were phoning up the earnings and so forth to pay for it. It was disgusting.

And of course, if that kind of c*** creeps in everywhere in our civilization, the civilization will perish. We need more honor, not less. And -- but I have no suggestion as to how to fix the places where it's excessive. It's a difficult issue, really difficult.

Rebecca Quick

[Jeffrey Meloy] writes in, and asks this question. He's from San Francisco. He says, "Do you think Elon Musk's ownership of Twitter, specifically his hands-off approach to content moderation is good or bad for American society?"

Charles Munger

Well, I don't use Twitter. So I'm not a good judge on that subject. And my policy and Elon Musk is -- he's a very talented man but also peculiar and so I. I don't buy them, and I don't sell them short. I just say, "well, he's a very usual person."

Rebecca Quick

You said some nice things about him in the last time I talked to you and what he's done with Tesla.

Charles Munger

Oh, it's unbelievable. Who else has done it except BYD? It just shows how tough capitalism is. Even if you're a genius like Musk is in some ways, there's always some little BYD that comes out and does better. Capitalism is not easy.

Rebecca Quick

All right. This question came in from [Jeremy Saltzberg] in Costa Mesa, California. He says, "Charlie, last year in 2022, a Missouri Court awarded a victim \$5.2 million in compensation from Berkshire subsidiary, GEICO, after a woman was infected with an STD in a car that was insured by GEICO auto insurance. The claimant says that the man was negligent and didn't tell her about his health diagnosis. Your grandfather was a judge, and you have a background in law. Did the Missouri court get this verdict right?"

Charles Munger

Well, I wouldn't doubt it myself. But it's in the nature of things that not every court is going to be right in every verdict for every judgment. And I do think that allowing -- again, you raised a very tough subject.

You will get occasional verdicts that are just totally outrageous, and that's inevitable. And of course, that's what appellate courts are for, but sometimes the appellate courts are very sympathetic with crazy verdicts.

Again, I can't fix everything that's wrong with you in life, including a few crazy verdicts.

Rebecca Quick

You'd put that in the category of a crazy verdict, though?

Charles Munger

Yes, sure.

Rebecca Quick

This question comes from [Stephane Armand], who is writing in from Toronto. There was a lot of excitement about the relationship between Berkshire and 3G for the Kraft Heinz transaction. Has your perception of the private equity business changed on the back of that partnership?

Charles Munger

Well, like every other human being on earth, some deals work out better than others for 3G. Yes. They would love to have a way of going back and turning all their bad deals into good deals. Berkshire would like to have the same option. We don't get it either.

Average out, 3G did pretty well. But recently, they've had some -- their approach hasn't worked as well in recent years as would be ideal. Again, well coming to human life, it isn't so damn easy.

Rebecca Quick

[Art Presser] writes in and says, "The Florida governor and legislative body has recently taken a stand to try and control Disney's exclusive self-governing authority previously set up in Florida under the founder, Walt Disney. As your organization, and I guess, by this I mean, DJCO still owns Disney shares, you think Disney shares are still a good investment given this backdrop?"

Charles Munger

We've never owned Disney shares.

Rebecca Quick

That's my mistake then.

Charles Munger

Your own, no. But Disney is an interesting case. Practically every business that Disney has, has gotten tougher than it used to be. Again, welcome to human life. Think about Disney once owned the world. Lion King was running a long run on the Theater District of New York. They went from triumph to triumph, marching, marching, marching.

All of a sudden, practically every front, it's more difficult. This is what happened. Imagine Kodak, which totally dominated photography in the world, and they invented this new technology, Kodak wiped out its common shareholders.

Rebecca Quick

Do you think Disney is headed down the same path? Or do you think that they'll be able to pivot? I mean, I know you followed the company closely.

Charles Munger

No, no. I think Disney has a lot of assets in it. But it's unpleasant to have something -- how would you like running the sports, ESPN now at Disney compared to its heyday? It's going to be way harder for them.

Rebecca Quick

The stock is up this year.

Charles Munger

Movies look to me like it's going to be a blood bath, too. So it's not a bed easy. It was easy in the heyday of ESPN, Disney made nothing but money out

of ESPN. It was a total gold mine.

Rebecca Quick

What about other movie businesses? I'm thinking of Paramount, which is a huge holding that Berkshire now owns recent?

Charles Munger

I live within a few blocks of Paramount Studios. And I don't even know anybody at Paramount. I have avoided the movies like the plague as an investor all my life. I've never made an investment in the movie business in any way, shape, manner or form. It always gives you [indiscernible].

I don't like the unions. I don't like the crazy agents. I don't like the crazy lawyers. I don't like the crazy movie stars. I don't like the people who sell dope to the musicians. Everything about it is not my culture.

I like those old English actors who became old. I grew up with them. And -- but basically, movies is not my scene. So I avoided it. It's always been very hard for the people to put up the money. It may be a very good place to make a living as an actor or a writer or something or a musician. But it's a hard place to make money if you're an investor.

Rebecca Quick

This one is an interesting question. It came in from [Eric Howe] in Milwaukee, who says, "The population of the world is thought to have increased by more than fourfold time since you were born. Mind you, I'm not holding you personally responsible, but there has been that magnitude of growth. Is there a point where the biggest existential threat to humanity is the growth of the population and humanity? If so, how do we discern when that point has arrived?"

Charles Munger

Well, that's an interesting subject. If you'd look at the way things have happened in the past, you would have concluded like [Paul Herrick] did that the world is headed for an absolute population disaster. But what actually has happened is quite different.

What's happened is that as the world has gotten more and more prosperous, including in places like China, the birth rate has gone down, down, down. And so there's actually sort of a population shortage in a place like Japan.

So the prediction of all the great experts based on extrapolating the past graphs, they turn out to be totally wrong. It now looks all the world's population in the advanced countries will sort of self-limit.

Rebecca Quick

I mean, that kind of puts you in the same camp with Elon Musk. He has made some of the same arguments that it's really shrinking population that's a bigger threat to humanity.

Charles Munger

As I said, he's a smart man sometimes. Sometimes, like all the rest of us.

Rebecca Quick

[Denny Poland] writes in and says, "When assessing the character and competence of a business' management, have you ever made a mistake? If so, when did this occur? And what did you learn from the experience?"

Charles Munger

Well, everybody makes mistakes. And one of the -- actually one of the most interesting things that happened in my lifetime. It was the rise of IBM and the fall of IBM. IBM was the most admired company in America for most of my young life. They just marched from triumph to triumph to triumph. And in the

last 10 or 15 years, they've slipped. They're falling back in relation to other people in their field.

It's the Apples and the Googles and so forth came ahead, IBM just -- they kind of missed the boat. I think that's almost inevitable. Kodak missed the boat of change to digital photography, too. And I've heard Bill Gates say that it's almost a rule of a really disruptive technology comes along, the incumbent screw up their reaction to it. It's hard to change your ways when they've been successful for a long time and go into a totally different way of behaving and thinking.

Rebecca Quick

Right. This question...

Charles Munger

Where we're sitting with Daily Journal Corporation, we're adapting to the new world -- think how different it is publishing in newspaper and being a -- inventing software records to automate. These are 2 radically different businesses.

Rebecca Quick

This question comes in from someone named [Gene], who says, "Mr. Munger, do you think that currently in the United States, we have systemic racism?"

Charles Munger

We have what?

Rebecca Quick

Systemic racism.

Charles Munger

Well, I suppose we've got some, sure. Of course, you're going to have a certain amount of animosity one group towards another. In the whole history of the human race, we've had a certain amount of that. I think it's gotten way better in my lifetime, however. I would argue that racism has gone down a lot.

Rebecca Quick

Charlie, this question comes in from [Neil Das], who says, "What, if any, impact do you think the insurance industry will see because of climate change over the next 25 years?"

Charles Munger

Well, I'm not sure I am any good answering that kind of a question.

Rebecca Quick

Are you raising rates in any of the Berkshire insurance?

Charles Munger

I don't think I know particularly how well. I think there's a good chance that climate change will be less important than all the people think. That doesn't mean it will be unimportant, but I think it won't be an absolute full-blown horror capacity with no possibility to adjust.

Rebecca Quick

I wait because sometimes when I wait, you say more on things. But I'll give you time to...

Charles Munger

No, that's all right.

Rebecca Quick

Okay. Let me get to this question from [Taehee Hwang]. He says that he's teaching the introduction of personal finance and the introduction of corporate finance to undergraduates at Indiana University in Bloomington. Most of the students are nonfinance majors, and this will likely be the only finance class that they take in college. What should he teach them, incorporating as many writings and speeches that you've given over the years so that they have the foundations and common sense to effectively deal with their personal or corporate finance problems later in life?

Charles Munger

Well, that's a good question because it's a big question. And if you have good judgment, your life will work a lot better than if you have bad judgment. And you get good judgment gradually over time, partly by making bad judgments and having them work out poorly.

So my counsel has always been to start trying to be better and keep doing -- keep trying to improve all your life, and you got about half a chance. If you don't do that, you got like no chance.

And so it's -- I used to say I could only teach what the other person almost knows. Then I can just throw him over of the brink when he's hanging on the edge. But if the guy is not within miles of even starting, I never make any public. I never succeed. So in removing idiocy, I have a 100% [indiscernible]. I've never succeeded.

Rebecca Quick

What would you push in that direction? If you've got a class full of finance students in college, maybe what are the -- a few lessons...

Charles Munger

I would teach the people who can learn, and the others who couldn't keep up [indiscernible] It can't be [indiscernible], just -- I don't believe in butting my head against the wall.

And that, by the way, that's the way most education works. They just throw out those who can't keep up. That's the way I can name you it works. That's the reason it gets so good at the top.

I talked yesterday on Zoom with a law professor at a great place. My God, this is an admirable guy, and he's just so God damn smart, balances are incredible. But he's a very senior law teacher at one of the great law schools of the world. So I would expect him to be pretty good, but he was more than pretty good. He was awesome, and I thought, my God, academia is quite competitive.

By the time you get to the top, the professors at a good place, you find some very remarkable people. And -- but what -- but they can't -- there's a limit to what they can accomplish. One of the reasons that they turn out such good people is they take in such good people. That's their secret. They can't fix the [indiscernible]. Nobody can.

Rebecca Quick

Tough love.

Charles Munger

There's an old saying, dumb is forever.

Rebecca Quick

Dumb and diamonds. [Alejandro Salcedo] writes in, he says, "Reading many entrepreneurs and famous people, they always say that you have to dream really big. Instead, you say, Charlie, that the secret to a happy life is having low expectations. Could you please expand on that?"

Charles Munger

Well, yes, you climb as hard as you can by just advancing 1 inch at a time. That's the secret of life. And now there's always somebody who's a little nuts and succeeds. But that's -- but for every guy who succeeds, there's 1,000 failures.

Rebecca Quick

This is an underpromise, overdeliver situation, too?

Charles Munger

Well, of course. Who in the hell in his right mind would like going around making a lot of commitments and failing time after time after time of doing what you promised to do? Everybody would hate you, right?

There's no more guaranteed way to maybe we'll hate you than the fail in their reasonable expectations. So of course, you want to live a life where, by and large, you're meeting reasonable expectations of other people. That's what civilization requires of all of us.

Rebecca Quick

Charlie, someone named [Joe Roden] from China, and he says he's an investor from China. He's sorry that he can't see you face to face this year. He wants to ask you a question about life during the pandemic. He says, "I always give bits of advice to the elders in my family like avoiding high temperatures and falling down at home. But during the pandemic, especially since China reopened, I can seldom give them any advice except stay at home and get vaccinated. So as a wise elder yourself, did you get COVID during the pandemic? And how do you stay healthy? What's your advice to these elders?"

Charles Munger

I did get COVID, but I got it after I was vaccinated, and I had like a tiny sniffle for about 10 minutes. And that was my COVID, but I tested positive during that time.

And in terms of the general idea of cautious adjustment, I had a lot of elderly friends who either died or had terrible injuries from falls. And so I got old myself. And it got time to use something to avoid falling down.

People tried to sell me on the cane. But I noticed that my friends who use canes would fall down occasionally. So I never used the God damn cane. Instead, I bought one of these modern walkers. And wherever I was worried about falling down, I pushed my walker. I did that for 6.5 years. I never fell down once in 6.5 years just because I was more cautious.

That is my advice to all people, just to be a little more cautious. Now I've gone to the wheelchair. And I've got another 6.5 years probably. But some of it I've already used up. And I'm just as cautious with my wheelchair. What is the harm of having a little extra caution?

Rebecca Quick

Makes sense. I want to pivot a question from [Frank Wang] in Houston, Texas. This question about Berkshire. He said Berkshire previously took a position in Exxon and then exited fairly quickly. If I recall correctly, he says, I believe you had stated that Berkshire thought it was a good alternative to cash at that time. Is the same type of thinking with Berkshire's new position in Occidental and Chevron? Is it the same type of thinking? Or is it likely to be more of a long-term type of holding for Berkshire going forward?

Charles Munger

Well, that is a very good question. And I think having a big position in the Permian Basin through those 2 companies, it's likely to be a pretty good long-term hold. So I like that aspect of that position.

And Ben Graham used to say, "If it's a good investment, it may be a good speculation." And I think that's generally true. But I don't do those short-term speculations, at least not very often. And -- but I like the big position that Berkshire has in the Permian through those 2.

I kind of admire both places a lot. Both Occidental and Chevron are very admirable places. And by the way, Oxy didn't start like that. If you go back 30, 40 years, Oxy was owned by a crook. And now it's evolved in a wonderful place, but it started as a sleazebag.

Rebecca Quick

Who was running it 30 or 40 years ago?

Charles Munger

A man named Armand Hammer. Before your time, Becky. You're too young.

Rebecca Quick

I know Armie Hammer, the younger one.

Charles Munger

Yes. Yes. Anyway.

Rebecca Quick

All right. [Paul D] writes in, and I believe it's Paul [indiscernible] he says, "Charlie, you're largely credited with Warren Buffett's evolution to buying great businesses at a reasonable price or in simple terms, a willingness to pay up for a great business. Given Ben Graham's exceptional insights and understanding of investing, how or why did he himself not evolve to foresee the inability to scale his Net-Net Cigar Butt approach? What do you attribute your early willingness to pay up stems from?"

Charles Munger

Remember, a lot of Ben Graham's rise in life was during a period when there was plenty of low-hanging fruit among mediocre businesses that are way too cheap. And he was relatively rare in doing his hunting in that garden. And so he made a pretty good living for himself buying these.

What happened is that low-hanging fruit eventually went away as the aftermath of The Great Depression got away. And then Graham actually made more than half of all the money he made in his life out of one stock, and that stock was GEICO, which was a great business.

So if you actually look at the great man's own life, you see that what he taught wasn't the way he got rich himself. And by the way, he told that story on himself late in life. He carefully computed how much he made in GEICO compared to everything he had ever done in his previous life. And so you can argue Ben Graham himself woke up once.

Rebecca Quick

What -- why do you think that you so early on were willing to come up with this idea of paying up for great businesses?

Charles Munger

Well, because it's so obvious, and I'm going to -- doing things that are obvious. Of course, it was obvious if you wanted to have good result, you got to do a great company. I recognize that greatness was good. Big deal. Charlie Munger, genius, recognizes greatness is good. Of course, greatness is good.

Rebecca Quick

Paul [indiscernible] from Toronto, Canada writes in and he says, "When you're evaluating a company for potential investment, what do you place the

most emphasis on, the business or the management? And do you differ with Warren when it comes to what you place first?"

Charles Munger

No, I don't think we're the same. I think we like the business great first. And then second, we want great manager. But we have not made a huge success by investing in great managers to take over lousy businesses. That is not the way we rose.

Rebecca Quick

Matt McAllister writes...

Charles Munger

If you're a lousy manager, you really, really need a great business.

Rebecca Quick

And can a great business be run by a lousy manager, the inverse?

Charles Munger

Sometimes. Coca-Cola was run for years by a man with a very severe mental impairment. And the director says that somebody was drunk [indiscernible] year after year. Now that's my idea of a wonderful business that you can be mentally defective and run it pretty well. That was Coca-Cola in its heyday.

Rebecca Quick

How far back are we talking?

Charles Munger

Well, 25 years.

Rebecca Quick

I'll let somebody else do the math on that, figure out the timing. Matt McAllister writes in and says, "Charlie, you've described too much diversification as [diversification] being at best an average return producing strategy. In light of that thought, if one was allowed only one stock to hold for a very long time, and it would be the most important asset to him and his family and their future well-being, please describe what you would look for in that stock or company and also talk about the features that you would consider most important when you're trying to figure that out?"

Charles Munger

Well, it helps to have somebody that says, "Look into a good position." So a great business that would be what you'd like and of course, you'd like a great management, too. And occasionally, we've had both the ride together for a long, long period. And -- but of course, everybody is looking for the same thing.

And the trouble with it is you will find when you get into those good businesses, places picked over and analyzed as American stocks are. And you can imagine the amount of time spent thinking about American stocks.

And you will find by and large in America, but it's really a great business. It's at least 25x earnings, and maybe 30 or 35 or something. So that makes it much harder, of course, because if something goes wrong, you can lose a lot of your investment.

And of course, that's what makes investment so difficult is the fact that the good businesses don't stay cheap. You have got to somehow recognize a good business before it's recognizable as a good business. That's very hard to do.

Some people get good at it, but not many. I don't think I would want 95% of

the people who are America's professional asset managers, I wouldn't want working for me.

Rebecca Quick

Really?

Charles Munger

I think it's that hard. I think you need to be in the top 5% to have a reasonable chance. It's very difficult. Now it's not difficult as by an index and selling your asset. That's the great default position.

Rebecca Quick

Your assets?

Charles Munger

And by the way, that's -- if you said -- look at the Daily Journal Corporation. We just put in a 401(k) plan. What are the investment options for the people at work? 0. It's all index funds.

Rebecca Quick

And if you were...

Charles Munger

What percentage of American 401(k)s have our plan, index funds required? About 0. Am I right or am I wrong? Of course, I'm right. It's a logical thing to do.

Rebecca Quick

Okay so percent worth [2 and 20].

Charles Munger

Sometimes, sometimes. Being worth [2 and 20], I would say that is way less than 5%. Demand is worth [2 and 20]. That is really -- that's getting very rare indeed, particularly under modern conditions where every niche is occupied. It's -- you really -- if you take early-stage venture capital like Sequoia does, how many people have a Sequoia-like record? I don't think there's 1 in 100 that has a Sequoia-type record.

Rebecca Quick

[Chris Reed] from Philadelphia, Pennsylvania writes in and says, You've said previously that...

Charles Munger

And by the way, even Sequoia makes an occasional mistake. Everybody does.

Rebecca Quick

But overall, you still think it's worth it?

Charles Munger

Go ahead.

Rebecca Quick

Yes. Okay. So [Chris Reed] writes in from Philadelphia and says, "You've previously -- You've said previously that you should destroy at least one good idea that you have each year. What good idea did you destroy in 2022? And anything in 2023 so far?"

Charles Munger

Well, the idea that I destroyed that it wasn't a good idea. It was a bad idea. When the Internet came in, I got overcharmed by the people who are leading in the online retailing. And I didn't realize it's still retailing. It may be online retailing, but -- it's also still retailing. And I just -- I got a little out of focus and that let me overestimate the future returns from Alibaba. And so I have never gotten [indiscernible] mistakes.

Rebecca Quick

I think I just lost Charlie's audio, I'm not sure if you guys can hear it.

Charles Munger

[Indiscernible] my own knows and my own mistakes, I say I'm doing now because I think it's good for myself.

Rebecca Quick

You can hear me, but I can't hear you. You dropped out during that last question. Can you do me a favor, just raise your hand if you can hear me? Charlie can hear me. I'm not hearing him. So if you guys can call and I'm hooked in directly to the line. Now I'm hearing program, not this program, I'm hearing live on air program coming from your music that's coming in.

Charlie, I'm going to ask you another question just so that everybody else doesn't have to listen to me talking this through. We're going to try and get this fixed here in the control room.

But this question comes in from -- let's see, let's go to this one. Chris Benassi who asked the question about he says, "Hi, Charlie, a notable theme during the last Daily Journal conversation revolved around positive and negative trade-offs between different systems frameworks and choices. Can you discuss your views on the health care industry, specifically the trade-offs between capitalist systems like the United States and single-payer systems like Canada and the U.K., and I'm asking this single-payer health

care question because for those who don't know, you serve for a long time as Chairman at a hospital in Los Angeles, so you do have some insights into what the situation is." And feel free to talk a long time while they're fixing this.

Charles Munger

Yes. When somebody asked for and what happened their experiment with JPMorgan Chase and Amazon and so forth. And they were going to change. They improve the -- what was wrong with the American medicine and its cost. And when they gave that up as a total failure, Warren just said the tapeworm won, and that's what happens. I think the American system is cost way too much.

Can you hear me?

Rebecca Quick

Charlie, I see your lips have stopped moving. So I'm going to ask another question. I'm hearing power lunch in my ear right now. If anybody is paying attention in the control room.

But this question comes in from Brad Heck. Brad Heck is in South St. Paul, Minnesota and says, Charlie, I'm a big fan of your disciplined approach to life. Do you get up at the same time every day and go to the bed at the same time? And finally, what's the first thing you focus on each day?

Charles Munger

Well, I vary a little in my time, but I'm pretty regular. And I'm a pretty good sleeper in my old age. So I'm very lucky in that respect. And...

Rebecca Quick

See your lips have stopped moving. So I'm -- got you. I got you. Finally, I hear

you. Okay, Charlie, let me ask you this question.

Charles Munger

You got sound again.

Rebecca Quick

Yes, I've got you.

Charles Munger

Modern technology.

Rebecca Quick

I think we'd be a little better if this -- sometimes it works. [indiscernible] said, if you could inaugurate anyone for President in 2024, who would you choose?

Charles Munger

Well, I think I'll duck that one. I don't want to get into the presidential politics.

Rebecca Quick

Okay. I hear that. I can understand that. Charles writes in and says, first of all, he wants to thank you, Charlie, for gifting some DJ Co shares to establish that newly -- that new Daily Journal management equity incentive plan. You talked about that earlier on. He said, additionally, he's excited about the rumored new addition of Poor Charlie's Almanack. First of all, is that true? But the real question he has for you, he said, you said that you admire Benjamin Franklin, can you please elaborate on this subject and highlight the qualities that you admire in Ben Franklin?

Charles Munger

Well, Ben Franklin was a genius. It was a small country, but remember, he started in absolute poverty. His father made soap out of the carcasses of dead animals that stank. Now that is a very low place to start from. And he was almost entirely self educated 2 or 3 years of primary school and after that, he had to learn all himself.

Well, the rise from that kind of a starting position and become -- the time he died, he was the best inventor in his country, the best scientists in this country, the best writer in his country, the best [indiscernible] in this country. Thing after, thing after, thing, he was the best there was in the whole United States. He was a very unusual person. And you just got an extremely high IQ and a very kind of pithy way of talking that made him very useful to his fellow citizens.

And he kept inventing all these things. Imagine inventing the Franklin stove oven, bifocal glasses and all these things that we use all the time. I'm wearing bifocal glasses as I'm looking at you. These are Ben Franklin glasses. What the hell kind of a man that just goes through life and the [indiscernible] gets a little perfect. He invented the god damn bifocals. It was just one of his many inventions.

So he was a very, very remarkable person. And of course, I admire somebody like that. We don't get very many people like Ben Franklin.

Rebecca Quick

I'm thinking the library system, I think he invented...

Charles Munger

He was the best writer -- and he was the best writer in his nation and also the best scientist and also the best inventor. [indiscernible] that ever happen again. Yes, always other things, yes.

Rebecca Quick

So is there a new addition of Poor Charlie's Almanack.

Charles Munger

And he played 4 different musical instruments. If there is anything else.

Rebecca Quick

That part I didn't know. Yes, that part I did not know.

Charles Munger

One of which he invented. One of which he invented. The glass thing that [indiscernible] -- they still play it occasionally.

Rebecca Quick

Yes. With like different layers of water...

Charles Munger

But he actually played on 4 different instruments.

Rebecca Quick

Yes. And he was a diplomat and -- write the rules of the country and compound interest with the -- the trust that he set up for both Philadelphia and for Boston and still hundreds of years later are paying out.

Charles Munger

No, he was a very amazing person. Of course, the country was glad. We were lucky to have him.

Rebecca Quick

Is it true? Is there a new Poor Charlie's Almanack coming out?

Charles Munger

Well, they're creating an online edition.

Rebecca Quick

Okay. You've talked about some.

Charles Munger

By the way, the Chinese edition sold way more than the one in the United States.

Rebecca Quick

Well, there's more people there.

Charles Munger

That's not the sole reason.

Rebecca Quick

What else?

Charles Munger

Well, a rich old man looks like Confucius. In their system, there's nothing better than a rich old man.

Rebecca Quick

Yes. Charlie, [indiscernible] writes in a question, and this is about delayed gratification taken to the extreme, how rational is it for a person of your age and wealth to practice delayed gratification? If it's not rational at your age, how is it rational to delay gratification for the average adult? So what's the rational point in life to live with no delayed gratification to.

Charles Munger

I'm still doing the -- now that I'm old, I buy these apartment houses, it gives me something to do. And [Indiscernible] everybody else runs them. Everybody else is trying to show high income, so they can have high distributions. We're trying to find ways to intelligently spend money to make them better. And of course, our apartments do better than other people do because the man who runs them does it so well for me. The man, there are 2 young men that do it with me.

And -- but it's all deferred gratification. We're looking for opportunities to defer other people are looking for ways to enjoy. It's a different way of going at life.

Rebecca Quick

Did you start out that way?

Charles Munger

You get more enjoyment in life doing it my way than theirs?

Rebecca Quick

Did you start out having to work at delayed gratification or is that just how you were born?

Charles Munger

No, I learned this trick early. And we've done that experiment with 2 marshmallows with little kids. [indiscernible] And they've done watch them how they work out in life by now. And the delayed -- the little kids were good at deferring the marshmallow, also the people that succeed in life. It's kind of sad that so much is inborn, so to speak. But you can learn to some extent, too.

Rebecca Quick

I'll go home and test that out on my kids.

Charles Munger

I was very lucky, I just naturally took the deferred gratification very early in life. And of course, it's helped me ever since.

Rebecca Quick

[Matt McAllister] writes in and says, first, thank you for sharing your wisdom. Those of us fortunate enough to listen have benefited significantly. We've come to know that Warren Buffett -- we've come to know Warren Buffett as a learning machine because of your candid descriptions, aside from this quality, what others would you credit to Warren that has helped make him one of the greatest investors and compounders that the world's ever seen?

Charles Munger

Well, Warren is not only a very good thinker and a good learner, which is important, but Warren has a big strong fiduciary gene. He cares about what happens to the shareholders. Warren and I were lucky in that the early shareholders that really trusted us, we were young and didn't have a reputations and so on.

And naturally, we feel an exceptional loyalty to those people. And of course, naturally, they're all dead now. We're still loyal to them. Warren and I still care what happens to the Berkshire shareholders, a lot. And I think that helps us. I think that it helps if you're good at loyalty. Go ahead Becky.

Rebecca Quick

Okay. So [indiscernible] writes in and says that many large companies,

including Meta, which owns Facebook and various insurances, are choosing to self-insure against liability either for directors or for the business risks. If it's carried to extremes, it would not -- as it no doubt will be over time, this could cause potential systemic issues. Would you share your thoughts on this, please? He says he's been a shareholder of Berkshire Hathaway for 16 years, and thanks you for your stewardship and sharing your thoughts generously with the younger generations with [indiscernible]

Charles Munger

In my own life, I'm a big self-insured and so is Warren. It's ridiculous for me to carry fire insurance on my house because I could easily rebuild a house if burned down. So why would I want to bother fooling around with the claims process and all kinds of things.

So if insurance -- you should insure against things you can't afford to pay for yourself. But if you can afford to take the bumps, so unusual expense coming along doesn't really hurt you that much. Why would you want to fool around with some insurance company. If your house burned down, I would just write a check and rebuild it. And all intelligent people do that way. I don't say all, but -- maybe I should say, all intelligent people should do it my way.

There should be way more self-insurance in life. There's a lot of waste. You're paying when you buy insurance for the other fellows' frauds, and there's a lot of fraud in life. And you can afford to take the risk yourself and not fool around with claims and this and that and commissions and time. Of course, you self-insure, it's simpler and so forth.

Think of what I've saved in my life. I narrowed it. I don't care. I never carried -- never. I think once -- but with one exception, I never carried collision insurance on a car. And once I got rich, I stopped carrying fire insurance on houses. I just self-insure.

Rebecca Quick

That's a little bit of a surprising take for the guy who is Vice Chairman at a big insurance company.

Charles Munger

That is the right way to do it. What?

Rebecca Quick

That's a little bit of a surprising take from a guy who is a Vice Chairman at Berkshire, which has so many insurance companies.

Charles Munger

Well, but I'm not -- I'd rather tell the way it is. And tell it in a way that helps Berkshire. I'm not going to tell it differently than I think it really is just because it's better for Berkshire. Even though it's bad for Berkshire, I want to tell you if you can afford to self-insure, self-insure.

Rebecca Quick

Even on things like medical or I just think you might think you could afford these things?

Charles Munger

That is different -- your insurer pays the doctor in the hospital is a small fraction of what you pay. So that's a different kind of calculus. Everything in medicine is -- the cost of American medical care and the medical insurance, it's a disgrace.

If you go to Singapore, you will find that they do the whole thing better than we do, and it cost 20% of what we pay.

Rebecca Quick

And again, my audio was...

Charles Munger

And by the way, I have no idea of how they get from where we are to where [indiscernible] is because all the people are getting all that extra money, fight like fierce tigers to hold on to it. And they control boards and cities and states and every other -- so I don't know how to fix the cost in American health care. They're totally out of control and I weren't trying to fix it with Amazon, all that stuff. He failed too. Everybody's failed. Everybody in America has a marvelous record failing in handling our cost of medicines.

Rebecca Quick

Matt McAllister writes in, and I realized he's asked a couple of questions. I didn't realize this was a repeat sending, but I like the question. He said, what are some of the most important things that we need to know about Greg Abel? Have you experienced examples of him also being a learning machine. And if so, could you share one?

Charles Munger

Yes. Greg is just sensational at being a business leader, both as a thinker and as a doer. And he's also sensationally good at smoothly getting things done through other people. So he's a very remarkable human being, and Berkshire is very lucky to have him. And he's also a tremendous learning machine. You can argue that he's just as good as Warren in learning all kinds of things.

And one of the interesting things about Greg is there are some things he's better at than Warren is, and Warren knows that and he just keeps dumping on the Greg. Everything that Greg can do better, and it's a lot. And so the system at Berkshire is working pretty down well. We're very lucky to have a 92-year-old this good shape is [indiscernible]. And we're very lucky to have us a chief executive like Greg. Greg is very remarkable.

Greg is trusted by insurance -- by utility regulators and rightly so. He is trying to run all those utilities as if he were the regulator. How many people think that way? But it's a smart way to think.

Rebecca Quick

You mean, just from a show of good faith?

Charles Munger

Yes. Why not please -- why not do it the way that you want to do if you were on the other side of the transaction. How can you fail if you treat other people like you'd like to be treated yourself? It's the golden rule. Of course, it works.

Rebecca Quick

All right. Someone named Jim writes in and I asked this question because I got a lot of similar ones just in terms of investments, but this one is probably a question that a lot of people as they start to get up 65 and beyond start to wonder. He just says, "Would you recommend I take social security when I'm 67 or wait until I'm 70 when I'll receive more per month?"

Charles Munger

Well, I can't make that choice for you. It depends. You know you're going to be dead pretty soon, I go ahead and have more [Indiscernible]. You think you may live a long time, you may have a different calculus. And I would say that most -- most people who are healthy and so forth, and who have a pretty good life expectancy. Generally, there are ways to defer the social security taking and take more money later.

Rebecca Quick

I guess it's optimistic thinking too, if you're thinking that you're going to live a

long time, that's a way to play it out.

Charles Munger

Well, what do you do, Becky?

Rebecca Quick

Well, I'm not 65 yet, so I haven't thought about it yet. I'm waiting. My guess is I would.

Charles Munger

I don't think you're going to need social security Becky. I'm not worried about you.

Rebecca Quick

I think I would work longer. I'm naturally conservative. So -- [indiscernible] writes in, you urged the U.S. government to ban cryptocurrencies as China has done. I have a more general question with boom and bust cycles in different countries in history, what should a good government do and not do for economic growth?

Charles Munger

Well, what you've got to do if you want growing GDP per capita, which is what everybody should want. You've got to have most of the property in private hands. So most of the people who are making decisions about our properties to be cared for own the property in question, that makes the whole system so efficient to GDP per capita grows in a system where you have easy exchanges due to a currency system and so on. And so -- that's the main way of civilization getting rich is having all these exchanges and having all the property in private hands.

If you like violin lessons, and I need your money, we make a transaction,

we're gaining on both sides. So of course, GDP goes like crazy when you got a bunch of people who are spending their own money and wanting their own businesses and so on. And nobody in the history of the world that I'm aware of has ever gotten from [indiscernible] gathering to modern civilization, except through a system where most of the property was privately owned.

A lot of freedom of exchange. And by the way, I've just add something that's perfectly obvious, but it hasn't really talked that way in most education. Even the -- you can take a course in economics in college and not know what I just said. They don't teach it exactly the same way, anyway.

Rebecca Quick

That would be your -- your best interest. Okay. This one comes in from Matt, and he says, throughout your experience with Berkshire Hathaway, what are a few of the things that have surprised you most based upon some of your previous rational thoughts and ideas? Also, how have you used some of those surprises in your quest to become a better learning machine?

Charles Munger

I would say the things -- some of the things that surprised me the most was how -- how much dies -- the business world is very much like the physical world where all the animals die in the course of improving all the species, so they can live in niches and so forth. All the animals die and eventually all the species die. That's the system.

And when I was young, I didn't realize that same system applied to what happens in capitalism to all of businesses. They're all on their way to dying is the answer. So other things can replace them and live. And causes some remarkable death. Imagine having Kodak die. It was one of the great trademarks of the world. There was nobody who didn't use film. They dominated film, they knew more about the camera film than anybody else on earth. And of course, the whole dam business went to zero and look at

Xerox's [Indiscernible] the world, it's just a pale of shrink. It's nothing a bird that it once was.

So practically, everything dies, if you big enough time scale. When I was young enough, that was just as obvious then I didn't see it for a while. Things that looked to turn and have been around for a long time. I thought would likely be that way when I was old. But a lot of them have disappeared. Practically everything dies in business. None of the imminent last forever.

Think of all the great department stores. Think how long they were the most important thing in that little community? They are way ahead of everybody in furnishing credit, convenience at all seasons. Convenience back and forth, use the same banks of elevators and so forth, multiple floors. It looked like they were eternal. Basically all dying or dead.

And so once I understood that better. I think it made me a better investor, I think.

Rebecca Quick

I mean, the same can be said for managers. I've talked with Doug McMillon of Walmart, who carries around in his wallet, like on him, he carries around a list of the top retailers over the decades. Nobody is ever the same.

Charles Munger

Yes -- were gone. Yes, yes. Of course, retailers live in terror because you can die. So I guess a better way of doing it, you just die. Like those department stores did.

Rebecca Quick

The ones that you invested in early on, you mean, is it Baltimore?

Charles Munger

Well, no, most of the -- think of the department stores that are gone, just chain after chain after chain in big downtown. They're not weakened, they're gone dead. And to have IBM have the huge position it once had in terms of other dominance. And now it's just one that also [Indiscernible]. And it's still an admirable place, I'm sure they have a lot of talent left in IBM. Doesn't help. You die even though you're talented and hard working.

Rebecca Quick

[Arthur Kahn] writes in, and he's a Daily Journal shareholder who lives in Toronto, and he says, Mr. Munger, well, many of us admire you and look up to you, I want to ask, who were some of the people you most admired and looked up to? What was it about them that made them so special?

Charles Munger

Well, some of the best people, I would argue that Jim Sinegal at Costco was about as well adapted for the executive where he got -- and by the way, he didn't go to [Horton] and he didn't go to the Harvard Business School. He started working at age 18 in a store, and he rose to be CEO at Costco. And in fact, he was a founder under a man named Sol Price. And I would argue that what he accomplished in his own life, family is one of the most remarkable things in the whole history of business in the history of the world. Jim Sinegal in his life -- he's still very much alive, but he had one business throughout his whole life basically.

And he got so damn good at it, frankly nothing he didn't understand, large or small. And there aren't that many James Sinegal. I'll take somebody else for a job of the kind he has. Greg Abel in a way is just as good as James Sinegal was. He has a kind of genius for the way he handles people and so forth and problems.

And I can't tell you how I admire somebody that has enough sense to kind of [indiscernible] as utilities. And so he were the regulator, he's not trying to

pass on the cost because he can do it. He's trying to -- he's trying to do it the way he wanted. I don't know if he were the regulator instead of the executive. Of course, that's the right way to run a utility. But how many are really run that way?

So there are some admirable business people out there, and I've been lucky to have quite a few of them involved in my life. The guy who ran TTI was a genius. TTI is a Berkshire subsidiary. You Daily Journal [indiscernible] lucky you'd be if we still had our monopoly on publishing our cases or something we'd be like TTI. Well, TTI has just marked some [indiscernible] and it was run by a guy. He got fired and created the business.

Rebecca Quick

He got fired from where?

Charles Munger

He invented the whole -- general -- some defense contractor, I forget which one.

Rebecca Quick

General Dynamics, maybe?

Charles Munger

Yes. I can't remember exactly. But he was a terrific guy and he ran the business for us. He wouldn't let us raise his pay. How many people have the problem with their managers. They won't let them -- they won't allow you to raise their pay?

Rebecca Quick

It's pretty rare. Charlie, I spoke with a friend of yours yesterday and his question that he had for you is what quality has helped you the most in life?

Charles Munger

Well, that's easy, rationality. If you're just not crazy, you have a big advantage over 95% of the people because most people have all kinds of crazy patches. And if you just are consistently not crazy, you got a big advantage in life.

And here, patient and gratification deferred and vision to being not crazy. That's practically a sync. And then if you're exceptionally good at satisfying your commitments to other people, then you've got -- you just automatically improved your resources and your chances in life enormously. And it's so simple. And why don't more people do it? It's an interesting question.

I don't think you can educate your children to do it automatically. I think if you have 10 children, you'll have some that are a lot better than others in doing this.

Rebecca Quick

Is it harder with success, age, wealth to hold on to rationality?

Charles Munger

I think it's -- it's always hard when you get better other than if you get good at young and keep practicing. But it's never easy. If you had that question somebody asked, what one stock would you buy if you had to just rely on that one stock only? For your sole living expenses, you weren't allowed to have any income at all. You had to invest \$1 million and live on that one stock. How many people would give an intelligent answer to that question in America? I don't think it's 1 in 100. They wouldn't even know how to begin.

Rebecca Quick

I think one of my favorite things that I've heard you say, and it's something I repeat often to a lot of people is whatever you are, age and wealth makes

you more so. Came up with that a while ago. What led you to that -- and do you have any, I guess addendum to that?

Charles Munger

I think that's true that we are all tending. We all tend to get a little more so in every way. And I thought of that when I woke up this morning and put on my trousers. I really economize in buying those trousers. Why am I economizing in my trouser buying? But it's just -- so ingrained that I can't stop.

Rebecca Quick

And I'd like to circle back to a question on Daily Journal to wrap things up, Daily Journal and some of your holdings. This question comes in from [Moshe Sable], who says, in a previous shareholder meeting back around 2018, you spoke about BYD and said Journal Technologies is not quite BYD, but added that -- by the way, it might work out just like BYD. Now a few years on, do you still find Journal Technologies can turn out similar to BYD?

Charles Munger

Well, it won't be as fast as I guarantee you, and I won't be this great. I can also frankly guarantee you that. BYD is one of the most remarkable venture capital excesses in the history of the world. He was the eighth son of a peasant, had an older brother that recognizes a young kid was kind of a younger brother was a genius. And the older brothers sacrificed himself to get this peasant son into some good engineering school, and he became an engineering professor and then an entrepreneur.

And how many times you get a story like that? And imagine buying a little bankrupt auto company in China and turning it into something that this year, they're going to sell more electrical cars than anybody else in the world, at a time when electrical cars are hot. And -- it's a remarkable story, but again, a very unusual human being Wang Chuanfu.

And by the way, in his case, it wouldn't have happened if Wang Chuanfu hadn't been so unusual.

Rebecca Quick

Unusual how?

Charles Munger

He's -- he is a born genius and he's been thinking about the right things, 17 hours a day all his life. He's a workaholic and he can do things that ordinary human beings can't do.

Rebecca Quick

Is that the favorite stock you ever purchased? BYD or Costco?

Charles Munger

Well, I would say -- Yes. I have never helped do anything at Berkshire that was as good as BYD, and I only did it once. Our \$270,000 investment there is worth about \$8 billion now or maybe \$9 billion. That's a pretty good rate of return.

Rebecca Quick

It's more than pretty good.

Charles Munger

Yes. We don't do it all the time. We do it once in a lifetime. Now we have had some others successors do, but -- but I don't think hardly anything like that.

I made one better investment. You know what it was? We paid an executive recruiter to get us an employee, he came out with [indiscernible]. The return that [indiscernible] has made us compared to the amount we paid the

executive recruiter. That was our best investment at Berkshire [indiscernible] recruiting for him to get [indiscernible]. But again, only happened once.

Rebecca Quick

Now that's quite an investment too. Charlie, I just want to thank you for all your time today.

Charles Munger

All right. We're all through, I guess.

Rebecca Quick

And being so generous.

Charles Munger

I guess our meeting is over.

Rebecca Quick

And we'll turn it back over to Charlie and Steve.

Charles Munger

I'm still here to do one more with you people. We've been at this quite a few years. So my best to all of you. Bye.

Steven Myhill-Jones

Thanks [indiscernible] Thank you, Becky.

Rebecca Quick

Thank you, Steven. Thank you, Charlie.