0 (1s):

Ben. When we teased this episode in the email about the Jensen episode that we just released, the guesses that we were getting from folks were amazing. I

1 (11s):

Mean, people were like, it's Charlie. It's Warren, or it's Taylor Swift. And a lot of people were right. Hey

0 (15s):

Taylor, you know where to find us, Acquired fm@gmail.com. If you

1 (18s):

Are looking to get more publicity, we're open.

0 (21s):

Have Travis get in touch.

1 (24s):

All right, let's do it.

2 (25s):

Who got the truth? Is it you? Is it you? Is it you? Who got the truth now? Is it you? Is it you? Is it you Down? Say it straight. Another story on

1 (42s):

Welcome to this episode of Acquired, the podcast about great technology companies and the stories and playbooks behind them. I'm Ben Gilbert.

0 (49s):

I'm David Rosenthal,

1 (51s):

And we are your hosts. This episode is a very unique one for David and I, good friend of the show. Andrew Marks organized a little dinner for us with Charlie Munger and a few other folks at Charlie's home in Los Angeles. You can hear Andrew a few times in the background asking Charlie questions. We are pretty sure that this is the only podcast that Charlie has ever done. Charlie, aside from being one of the most prolific investors of all time alongside his partner, Warren. Buffett is 99 years old. He will turn 100 on January 1st. Of course, our conversation was interesting because he's freaking Charlie Munger. But also because it was interesting to get the perspective of someone who has seen the last 99 years of human history.

1 (1m 33s):

We talked with Charlie, of course, about Costco, his history, investing in retailers over the last 50 years. We also got to hear his views on what it takes to build a great partnership. What's gone wrong in the global securities markets these days? The concept of investing versus gambling and where investment opportunities remain in the world today.

0 (1m 53s):
Yeah, Ben, this was such a special life experience for you and me, and you and me together to do this. And the fact that we got to record it and now share it with the world for posterity, just icing on the cake and the whole thing was unbelievable.

1 (2m 7s):
Yeah. Listeners, we knew we were gonna have dinner. We were not sure whether we were gonna be able to record it, and now we get to share it with all of you. With that Join, the Slack, there is awesome discussion of every episode and the news of the day at Acquired fm slash Slack. If you sign up for Acquired emails, you will get episode corrections and follow up from previous episodes plus hints at what the next episode will be. That's Acquired do fme slash email. And we have only one sponsor for this interview.

0 (2m 34s):
Yes. A special conversation deserves a special sponsorship, and longtime listeners will know there's only one company in the Acquired universe that is truly appropriate because everything they do is modeled after Charlie and Warren, and that's tiny. Yep.

1 (2m 48s):
Tiny is the Berkshire Hathaway of the internet. Literally, they are such huge fans that they started a company that makes bronze busts of Buffett and Munger themselves. But more on that in a minute. Yeah.

0 (2m 58s):
So Berkshire, as we know, started as a textile mill in Massachusetts nearly 200 years ago and almost 20 years ago. Tiny founders, Andrew Wilkinson and his partner Chris, took their version of an internet textile mill, the premier design agency metal lab, which designed the UIs for Slack, Uber, Tinder, Headspace, Coinbase, and others. And they ask themselves, what would Charlie and Warren do if they were us? And that led to the realization that just like Berkshire discovered in the physical world, the internet also has wonderful niche businesses with great cash flows. In fact, they tend to be even better than the old days of seas candies and blue chip stamps because they require zero capital reinvestment, have software margins, and can build global brands much faster than the what, 50 some odd years it took seas to expand around the world.

1 (3m 48s):
Yep. So Andrew and Chris took the extra cash flow from MetaLab and their other businesses and created

Tiny, the world's first and best permanent holding company for wonderful internet businesses. And boy did it work.

0 (3m 59s):
Yeah. Fast forward to today, and thanks to Tiny's success, this opportunity is no longer a secret. Many people have caught on to the idea that this can really work, but just like Berkshire itself, no one else has the combination of experience, temperament, access to capital, and frankly, reputation that Andrew and Chris have built over the past two decades we're investors in tiny ourselves alongside Bill Ackman and Howard Marks. And just like the two of them, tiny is really the long-term buyer of choice in their niche. Anyone who's looking for a permanent home for their profitable internet business, or who needs a capital partner for a co-founder or VC cap table buyout would be lucky to work with Tiny.

1 (4m 37s):
Yep. For instance, they just bought the premier social network for film Buffs Letterboxed, which has been the founder's baby for 12 years and will stay so within Tiny. And this really reflects Tiny's whole ethos work with only the best internet businesses, commit to simple diligence 30 day deals, and leave the business alone either for you to operate or bring in new long-term oriented management up to you.

0 (4m 59s):
So thanks to Tiny, this is the only sponsor, as Ben said, that you'll hear on this episode. And just like Berkshire, it'll be here in perpetuity. Tiny just became a public company earlier this year, and they can now do deals ranging anywhere from 1 million all the way up to 250 million. So if you wanna get in touch, just shoot them a note@hiattiny.com and just tell them that Ben and David sent you.

1 (5m 21s):
Oh, and one more thing. The Bronze Charlie busts the perfect daily reminder in your workspace to ask what would Charlie do? Just head on over to Berkshire Nerds store to buy your own. And they also have plenty of some guy named Warren too. Okay. Now without further ado, this is not investment advice. David and I may have investments in the companies we discuss, and this show is for informational and entertainment purposes only. And on two Charlie, Munger Charlie, I was watching the NFL games last weekend and it seems like every advertisement now is a sports betting advertisement. Is this good for America? No,

3 (5m 55s):
Of course not. Are the dog tracks and racetracks of America the casinos good for America? Of course not. They're just very popular.

4 (6m 7s):
That's how Warren got his start though, right? At the racetrack.

3 (6m 10s):

Well, but Warren never gambled heavily as a patron of Warren. One of the odds in his favor, not somebody else. Right? It's just so simple. If you're Warren, you want the house, you wanna be the house, not the powder

1 (6m 23s):

Listeners. The next topic that came up was retail stock trading. And the idea that for many Americans, this is akin to gambling.

3 (6m 31s):

Well, that's the way it's organized. They don't really know anything about the companies or anything. They just gamble on going up and down the price.

1 (6m 38s):

Hmm.

3 (6m 39s):

If I were running the world, I would've a tax on short term gains with no offset for losses on anything. And I would just drive this whole crowd, every ball business.

5 (6m 50s):

What do you think about the algorithms like Renaissance and stuff like that?

3 (6m 54s):

Well, of course, Renaissance was the first algorithm was so simple. They sifted all this data for the past. And what did they decide up, up for two closing prices and down down were more common than down, up or up, down. Once they realized that's the way it was for various reasons, deepen the psychology of man is man is a natural trend. Follower keep figuring gambling short term and they, they just, he just programmed the computers to automatically, you know, buy on one thing the first up day and then and Salva before the end of the second day. And they just did it day after day after day.

3 (7m 35s):

And just every day the machine would, you know, the central clearing agent would say, your check today is $8,500,000. It's crazy. You check tomorrow is 9 million, 4,000. Well, what happens is that the ones the easiest trade is to front run what, you know, what the average, what the index funds have to buy. And you know what it is exactly. They all know that. And the way they get their returns year after year is taking the leverage that midday leverage up higher and higher and higher and higher. So they're making smaller and smaller profits on more and more volume, which gives them this big peak leverage risk, which I would not run myself.

3 (8m 18s):
And that's the only way they make these big returns, is to have this huge leverage that would make you crazy if you were already rich.

1 (8m 26s):
I had the good fortune of speaking with someone, you know, well, Richard Galante at Costco and spending a few hours, he knows

3 (8m 31s):
A lot about it. He's been there all his life.

1 (8m 33s):
It's crazy. I mean, it seems like that's everyone on the executive team

4 (8m 36s):
And they've all been there at their

3 (8m 37s):
Lives. Yeah, I know.

1 (8m 39s):
I'm curious, how did you first come across Costco or, or a price club? At the time?

3 (8m 45s):
Rod Hills somehow knew Saul Price and knew what he was doing. He said, you have to go down and meet him, he said, so I drove down and went through his store and talked with Saul. And of course, Saul was a very intelligent man. Saul was an ordinary lawyer until he was 39 years of age. Then he went out and formed government employees discount company or whatever.

4 (9m 7s):
Was this in the Fedco days,

3 (9m 8s):
He was no longer with Fedco. He, he sold Fedco to the Germans.

1 (9m 14s):
Ah, fed Mark to the, yeah, Hugo man. Hugo man. Yeah, yeah, yeah. And did you get to invest in Price Club before it merged with Costco?

3 (9m 24s):
Yes, I did. But I just bought my stock in the market. I wasn't, not got any favor, frankly.

1 (9m 31s):
And so how did you eventually meet Jim Senegal?

3 (9m 34s):
Well, Senegal asked Warren to become a director of Costco. He was looking for somebody with a financial reputation.

1 (9m 43s):
As an independent.

3 (9m 44s):
Yes. And Warren wouldn't do it. He said, why don't you, he would get Charlie to do it. I won't. Shorter plane rides to directors meetings and so forth. So that's how that

1 (9m 55s):
Happened. And did Berkshire ever try to become a shareholder or acquire Costco? I

3 (9m 60s):
Tried to get Warren to buy out the French when they left care for

1 (10m 4s):
Ah,

3 (10m 5s):
And Warren wouldn't do it. Warren doesn't like retail.

4 (10m 9s):
Was it just that he doesn't like retail or what was the big objection?

3 (10m 12s):
He's, he's afraid of retail. Gradually, everything that was m mighty in retail is gone, says is gone. The big departments are, are gone. You know, it's just too damn difficult as far as he's concerned. And

5 (10m 23s):
He had a bad experience with diversified retail, right?

3 (10m 26s):
No, we made nothing but money at Diversified. We didn't exactly make it in retailing, but we made a lot of money.

1 (10m 34s):
Wow. And with Diversified, most of the money was not on the retailing operation. You made a lot of that money through

3 (10m 40s):
What happened was very simple. We bought this little pissant department store chain in Baltimore. Big mistake to, And as the ink dried on the closing papers, we realized it'd be a terrible mistake. So we decided just to reverse it and take the hits to look foolish rather than go broke. He just told us how to get us out of this. By that time we'd already financed half of it on Covenant Free debt and so forth. And they had all this extra cash and our own stocks got down to selling an enormous, we just in the middle of one of those recessions we bought and bought and bought and bought and all that money went right into those stocks.

3 (11m 26s):
And of course we tripled and just sitting on our ass.

1 (11m 30s):
And that led to Blue Chip that,

3 (11m 32s):
Yeah. Yeah. It was part of the early success of Blue Chip.

1 (11m 36s):
Wow. And so, you know, you mentioned Warren doesn't like

3 (11m 39s):
Retailers. I, that's something else that people don't know about. Yeah. We bought a little piss hand savings in loan company for maybe $20 million. And we, we left that thing We had taken out of our little $20 million investment over $2 billion in marketable securities, which went into Nebraska insurance companies as part of their bedrock capital. So we, we had some wonderful early years and that's what everybody needs this wonderful early years.

4 (12m 10s):
Wow. So in our Costco episode, we started with the joke at one of the Berkshire beatings probably 10 years ago. Warren told the joke about you were on a plane being hijacked and the hijackers gave you one final

request and you said you'd like to give your speech on the virtues. Well,

3 (12m 27s):
Tired of me kind of reminding you me. Yeah,

4 (12m 29s):
Yeah. And he said, shoot me first we were hoping could you give us your speech on the virtues of Costco?

3 (12m 38s):
No. Warren is kidding me for being so repetitive on the subject. But there aren't many times in a lifetime when you know you're right and you know you have one that's really gonna work wonderfully, maybe five, six times in a lifetime you get a chance to do it. Hmm. And people do it two or three times early, all go broke. 'cause they think it's easy. It's fact. It's very hard and rare.

1 (13m 5s):
What was it about Costco that made you realize this is one of those few moments in a lifetime? Well,

3 (13m 11s):
They really did sell cheaper than anybody else in America. And they did it in big efficient stores. And all the parking spaces were 10 feet wide instead of eight feet nine or whatever they normally are. They, they did a lot ride.

1 (13m 28s):
Yeah.

3 (13m 29s):
And they had a lot of parking spaces and they kept out of their stores. Only CO didn't do big volumes. You see. And they gave special benefits to the people who did come to the stores in the way of reward points.

1 (13m 43s):
The executive membership. Yeah.

3 (13m 46s):
It all worked.

4 (13m 49s):
And the capital light business model, I mean when we were studying it, the difference between

3 (13m 53s):

Oh yeah. No

4 (13m 54s):
Price club and

3 (13m 55s):
They have no investment in them. They make the suppliers wait until they've been paid and then they're scheduled to pay only after they're scheduled to sell.

1 (14m 5s):
They've got 900 warehouses around the world full of high quality merchandise. None of which they have sitting on their books.

3 (14m 13s):
That's correct. Yeah.

4 (14m 16s):
Our understanding is that Price Club went public initially before the merger. They just listed. They didn't raise any capital. They didn't need any capital.

3 (14m 25s):
Who knows? It's all kind of like this. He was kind of a fence here. Hmm. He liked deals. He liked his miscellaneous real estate. Like Yeah. But it doesn't make sense. You don't want, you got an enterprise as big as Costco. You don't wanna screw around with your parking lot. Other people clog up your parking lot permanently and stuff is not gonna pay you very much.

1 (14m 49s):
Right.

3 (14m 50s):
You don't want 'em is the answer.

1 (14m 52s):
Have you ever seen another business that takes advantage of the virtue of the low skew count the way that Costco does?

3 (15m 0s):
Well have you, there are lots of them. That little grocery store chain here in Los, Angeles, Gelson Brothers.

1 (15m 9s):

Hmm.

3 (15m 10s):

They wanted a high turnovers and low capital costs and they never made the least effort to earn any money or have they wanted to share their parking out with anybody.

1 (15m 20s):

Hmm. As you reflect back on, you know, one of these few great companies in a lifetime that you should bet big on, what advice would you have for David and I as young partners looking for a few of these in our lifetime? Things to look out for?

3 (15m 37s):

Well, when you find, well you, you may find it five years after you bought it, you know? Hmm. These things may work into it or you may, you're under own understanding may get better. But when you know you have an edge, you should bet heavily.

1 (15m 55s):

Hmm.

3 (15m 55s):

You know, you're right. And most people, they don't, they don't teach that in business school. It's insane. Of course you gotta bet heavily on your best betts.

1 (16m 8s):

And how do you develop that level of conviction to know

3 (16m 12s):

You work at it, you redo a lot of reading and thinking and visiting.

4 (16m 17s):

I'm curious, we wanted to ask you, you know, you've had this beautiful partnership with Warren for half a century. Yeah, we're a decade into our partnership there.

3 (16m 25s):

There was a lot of low hanging fruit in the early days of our operation. You don't have any low hanging fruit that is easy to recognize.

1 (16m 36s):

You mean in investment opportunities?

3 (16m 37s):
Yeah, that's right.

4 (16m 38s):
But your relationship with Warren, like how have you Well

3 (16m 42s):
We were real similar. Kind of similar. And we both wanted to keep our families safe and taking a good job for our investors and so on. We had similar attitudes.

1 (16m 53s):
Yeah.

4 (16m 54s):
Did it change over the decades?

3 (16m 57s):
No. Warren still cares more about the safety of his Berkshire shelters than he cares about anything else. If we used a little bit more leverage throughout, we'd have three times as much now and it wouldn't have been that much more risk either. And we just, we never wanted to give them at least chance of screwing up our basic shelter position.

1 (17m 20s):
If you had used more leverage, do you think there's some chance that we would've

3 (17m 24s):
Done a little better? Sure.

1 (17m 25s):
Do you think there's some chance that it wouldn't exist at all, that it would've cost you the franchise?

3 (17m 31s):
No, I think it would've worked fine.

4 (17m 33s):
Hmm. Does Warren think

3 (17m 34s):

That it would've very easy, the situation lend itself to, if you were intelligent to just milking it out

4 (17m 41s):

When you leverage? I'm so curious on after we did our automatically

3 (17m 46s):

Leverage, you go over a news store with no capital, of course it's leverage. Who wouldn't want a business with and and no inventories.

1 (17m 56s):

Right. That's a good point. By the virtue of you owe a whole bunch of people money on day one for these goods that you know which

3 (18m 3s):

Is, which turnovers are rapidly. Right.

4 (18m 5s):

It's interesting. I mean that's leverage. It's not debt leverage. I mean, how do you think about debt like after we did our Berkshire series,

3 (18m 13s):

A lot of people do it now. A lot of people now do it who manufacture something. They're just terribly strong and they're just forcing the suppliers to carry all the inventory isn't like we're the only ones that did it.

1 (18m 29s):

Back to the point on partnership, David and I are coming up on 10 years as partners in this podcast. We do together. Different than the investing business, but a compounding one. Nonetheless, after a 50 year partnership with Warren, what advice would you have for us interpersonally to make for a an enduring partnership?

3 (18m 47s):

Partnership? Well it helps if you like one another and enjoy working

4 (18m 54s):

Together. We do. Yeah.

3 (18m 56s):

But I don't use any one formula. A lot of partnerships that work well for a long time happen 'cause one's good at one thing and one's good at another. They just naturally divide it. And each one likes what he's doing. Now in Costco's case, they had Jeff Broman, who's very smart, but not a retailer. And Jim Seg, they divided it up and they had originated that Broman would be the chairman and CEO. 'cause he was his idea. He founded the whole thing. But Segal was said, no, I have to be the CEO. So it was a big unfortunate board meeting.

3 (19m 36s):
Every big internal struggle. And Broman moved aside.

4 (19m 42s):
Was that after you joined the board?

3 (19m 44s):
No. Before.

4 (19m 46s):
Do you think you and Warren not living in the same city helped your partnership last so long?

3 (19m 52s):
Well it may have helped, but Warren has very close relations with all those people that have lunch every Saturday at Berkshire headquarters. It isn't like he doesn't have a little quarter of people there who are kind of pals from the ground up.

1 (20m 11s):
Do you think it helps that when you do spend the time together it's special rather than being common?

3 (20m 19s):
Well of course we used to spend a lot of time together when we were young 'cause we didn't have that much to do. Now we've got more to do and and, and it's just the other initiative of life. So it's different.

1 (20m 33s):
Yeah.

4 (20m 35s):
It's funny. I feel like we have a lot to do now, but,

3 (20m 39s):
Well of course you do. It's very difficult to invest money. Well and I think it's all but impossible to do time after time after time in venture capital.

4 (20m 49s):

Yeah. We really wanted to ask your, your thoughts on venture

3 (20m 52s):

Capital. All the deals get so hot and you have to decide so quickly that you're all just sort of gambling.

1 (20m 60s):

Do you think the role of venture capital is being properly accomplished in society? No,

3 (21m 5s):

I think it's very poorly done.

0 (21m 8s):

Charlie elaborated on this point with a few things that we can't air, but the topic did turn to Bitcoin.

1 (21m 14s):

I've heard many comments you've made on Bitcoin. I'm curious if you have a thought on this particular angle, an easy way to transfer money in between countries, especially when those countries don't have a stable store of value within that country. Is it good to have an independent store of value that is not pegged

3 (21m 32s):

Nation state? Well of course it's good to the world as a whole to have a way of having some currency. The way that was solved is for a long time the British pound was the national currency of the investment world. And then it shifted to the dollar and it's still a dollar.

1 (21m 51s):

Yep.

3 (21m 52s):

And people like China have these enormous reserves at dollars be the money we make by think of the money people give us, where we always just print up these pieces of paper.

1 (22m 4s):

Yep. And what about the common person in some of these less fortunate countries who don't have access to US dollars?

3 (22m 12s):

Well they do. If they ever get any money. The dollar's very fungal. You can always buy one anywhere.

1 (22m 21s):
I'm curious, back to this point of the role of venture capital in a society. If you could design a perfect system to fund a nation. Well I think

3 (22m 28s):
It's a very legitimate business if you do it right. If you wanna give the right people the power and nurture them, help them. And you know a lot about the tricks of the game so you can help them run their business yet not interfere with 'em so much. They hate you by and large. Having bumped into a lot of people in the businesses with venture capital financing, I would say the ordinary rule is that people in the business doing the work, they more often than not, they hate the venture capitalists. They don't feel they're their partner trying to help them to become they, they're only taking care of themselves and so on and so on.

3 (23m 9s):
And they don't like them.

1 (23m 10s):
How could it work differently? Yeah.

3 (23m 12s):
Well I I, but that's not true in Berkshire. You see RBOE, they know we're not trying to discard them to the highest bid. See if some oil investment banker offers us 20 times earnings or some lousy business, we don't sell. Hmm. If it's a problem business we've never been able to fix, we'll sell it. But it's a halfway decent business. We never sell anything. And that gives us this reputation of staying with things which helps us.

1 (23m 40s):
And do you think that buy and hold, not only mentality but demonstration is the key thing that aligns investors with managers?

3 (23m 52s):
Well it's rare. You see everybody else has a standard way of doing things and the lawyers have their standard forms and everybody just has the same standard form and they get the same standard results subject to the institutes of investment life. You don't wanna make money by screwing your investors. And that's what a lot of venture capitals do. The world is full of Xga, Goldman Sachs partners that formed a private fund and they imagine a billion dollars or something like that. And they charge two points off the top plus this. And that enables them to make very handsome loadings themselves.

3 (24m 33s):
But the endowments are not getting a good return.

4 (24m 36s):
And do you think it's specifically the fee aspect of fund structures?

3 (24m 40s):
Your nature of the wedges? Just the way it works And of course you really shouldn't be in the business of charging extra point unless you really are gonna achieve very unusual results. And of course it's more easy to pretend that you can get good results than to actually get them. And so it attracts the wrong people. People with an investment capital to mine. And the people who made the most money out of venture capital are a lot like investment bankers deciding which hot new area they're gonna get in. They're not great investors or great at anything.

4 (25m 19s):
What do you think endowments in large pools of capital should do then?

3 (25m 24s):
Well, they're starting to do it. The endowments have started to say to the, all these people that charge three and 30 or whatever they charge, they said, we'll pay your three and 30, but we're gonna put in twice as much money and in the next half you'll get nothing on it. Or you're going ride Perry Pass, who on some of your investments. So the fees go down by 50%. That'll take a lot of the fun out of it. Fees down 50%. And that's happening all over America. They feel had misled, irritated. They've looked foolish to their own trustees.

4 (26m 6s):
One of the issues I think in investing right now you mentioned about venture capital, but I think it's true everywhere. It's like there's just so much capital and so much competition. We're so far removed from the cigar butt era. We're in the opposite of the cigar butt era these days. Are there opportunities

3 (26m 23s):
Out there? Somebody will find a few things but it gets harder and harder. I would argue one of the easiest ones was when they decided a little group around Home Depot, they would copy the Costco Metal and home improvements. And that was basically a good idea. And think of the money they made doing it.

4 (26m 46s):
Yeah. Bernie Marcus.

3 (26m 48s):
Yeah. It was a direct copy of Costco.

1 (26m 53s):

Do you think there are more opportunities to copy Costco? Well

3 (26m 56s):
There was another one at Costco, Florida Decor. It's the current imitator and it's just, it's in vinyl wood imitating vinyl flooring. They're, they're running a Costco model.

1 (27m 11s):
Huh.

3 (27m 12s):
And they keep adding miscellaneous stuff to it too.

1 (27m 15s):
It's the miscellaneous stuff that'll eventually kill you though.

3 (27m 19s):
Well it'll be simpler if it was all flooring.

4 (27m 24s):
Yeah. It's just like the vertical Home Depot worked so well. But I don't know that it was totally obvious. Like part of the appeal of Costco was it was horizontal, it was everything. Consumers could come, they could make a trip, bring their big wagon, bring their big truck

3 (27m 40s):
Home. Depot's the same. They copied everything.

4 (27m 45s):
And famously Bernie Marcus came out to visit Saul before

3 (27m 47s):
It started. Yeah, no, they came out, they copied everything.

4 (27m 51s):
Saul was like happy to share the playbook with everybody. Right. How did Jim and you feel

3 (27m 55s):
About that? Saul was a, not a crazy, he was domineering and so on, but he was also very intelligent.

1 (28m 7s):

Hmm.

3 (28m 9s):
But there aren't many opportunities like Home Depot and Costco. There aren't very many.

1 (28m 15s):
Why do you think Walmart hasn't been successful once they saw Costco in competing?

3 (28m 22s):
They were too wedded by the idea is they already had, that's everybody's trouble. They just can't accept a new idea. 'cause the place space is occupied by an old idea. They got in the habit of getting the real estate practic even nothing. 'cause they were any little towns where nothing was valuable. So they're always, their occupancy costs were like zero. And they knew how to make big decision stores. That was their formula. So it offended them to go against the rich suburbs and have to pay out for the good locations. And Costco just specialized in the good locations where the rich people lived. And Walmart just let 'em do it year after year. It was a terrible mistake.

4 (29m 0s):
Did you know Sam Walton?

3 (29m 4s):
No. Never met him. I knew the son, one of the sons and they divided it up, you know, in about six parts. Very early.

4 (29m 14s):
Yeah. Walton Enterprises.

3 (29m 15s):
So they never paid much gift taxes or anything.

1 (29m 18s):
The topic then turned to the automakers and the future of the car industry.

3 (29m 23s):
Look how hard it would be to go into the auto business and have some big killing. Who's going to win? Who knows? The whole thing's been thrown away up in the air by all these electric cars. Yeah. All those big new capital requirements. Different ways of selling cars. And plus they got these tough unions. See, I just don't even look at the auto industry.

1 (29m 49s):

Do you think it's more investible today than it was 50 years ago because of the disruptive innovation of electric?

3 (29m 55s):

Well for maybe for one or two electric cars that are really good at it. Maybe, but certainly nobody else.

1 (30m 5s):

So you think BYD and tough.

3 (30m 7s):

It's too tough. BYD was a miracle. But that guy works 70 hours a week and has a very high iq. He can do things you can't do. He can look at somebody else's auto partner. He can figure out how to make the goddamn thing. You can't do that. You see Charlie,

6 (30m 22s):

You invested a Hyundai.

3 (30m 25s):

Yes. But they're, they're clever too.

6 (30m 28s):

How was that investment for you?

3 (30m 30s):

I lost money. Not much. 'cause I was stubborn. I held out until I got back to almost what I paid for it, then I sold it. There's

6 (30m 37s):

Been a lot of discussion about Berkshire's investments in the Japanese trading houses.

3 (30m 43s):

Well, but that is a no-brainer. Something like that. If you're as smart as Warren Buffett, maybe two, three times a century, you had an idea like that. The interest rates in Japan were half a percent per year for 10 years. And these trading companies were really entrenched old companies. And they had all these cheap copper mines and rubber plantations. And so you could borrow for 10 years ahead all the money and you could buy the stocks and the stock had 5% dividends. So a huge flow of cash with no investment, no thought, no anything.

3 (31m 28s):

How often do you do that? You'll be lucky if you get one or two a century. We could do that. Nobody else could. It looked attractive at half for simply you couldn't get it. But Berkshire with it, credit cut. And the only way you could get it was to be very patient and just pick away at little pieces at a time. It took a forever to get $10 billion invested. But it was like having God just opening a chest and just pouring money into it. You know, it was, it was awfully easy money.

1 (32m 3s):

It's interesting that it's paradoxal. You need Berkshire's credit, but at Berkshire's scale it's actually hard to put enough money to work.

3 (32m 10s):

That's true. But why shouldn't it be hard to make money? Why should it be easy?

4 (32m 16s):

Japanese trading companies reminds me, we studied another company recently, Nike. That is, that's a very,

3 (32m 21s):

What's surprising to me, very company.

4 (32m 23s):

Did you ever look

3 (32m 23s):

At it? That's a style company. Well of course I look, I've looked at it, but I don't like style companies.

1 (32m 30s):

Hmm. Too fad driven.

3 (32m 32s):

Well I suppose it or be Herms and the achievement, a price. I'd buy it. But short of that, I'm gonna buy new style company.

1 (32m 39s):

Oh ooh, that's a good pick

6 (32m 41s):

To the style point. Another one that they covered was LVMH. What AR Arna has done has been amazing. So what do you make of that company?

3 (32m 50s):

Well, if you're as good as they are, what they've done, you have a lifetime to do it in or now, lifetime. Really three or more lifetimes to do it. You can create another, but it's not easy.

4 (33m 0s):

Hermes is on the eighth generation. I think now the family running it,

3 (33m 6s):

It's not a bit easy. They have meetings every day where they make policy decisions and they choose the locations one at a time. And it's work.

1 (33m 15s):

It's definitely work. What do you think the durable value is in these, as you say, style companies of the very best one in the world, the Hermes or the LVMH. What makes them enduring?

3 (33m 28s):

Well, they just got a brand People trust so much.

1 (33m 30s):

Hmm.

3 (33m 32s):

It took 'em century to do it.

1 (33m 35s):

Our conversation then turned to comparing Kirkland Signature as a brand to Hermes.

3 (33m 42s):

Kirkland is a brand the way Tide is a brand and Hermes is a different kind of a brand.

1 (33m 50s):

Yeah. Ferrari doesn't make law detergent.

3 (33m 53s):

No.

4 (33m 55s):

We've spent a lot of time studying these brands. How do you look at the value of brand?

3 (34m 2s):

Well, it's hard for us not to love brands since we were lucky enough to buy this East Candy for $20 million as our first acquisition. And we found out fairly quickly that we could raise the price every year by 10%. And nobody cared. We didn't make the volumes go up or anything like that. Just made the profits go up. So we've been raising the price by 10% a year for all these 40 years or so. Wow. And it's been a very satisfactory company. Didn't, didn't require any new capital. That was what was so good about it. Very little new capital.

3 (34m 42s):

We had two big kitchens and a bunch of rental stores when we bought it. And now it's got two big kitchens and a bunch of rental stores. Well judge, it was a Playboy. Playboy. And he, his brother ran the company. He was his older brother and dominated it completely. But when he died, Charlie made his brother as executor and now he needs a lot of money to pay death taxes. He doesn't have it and it's due, you know, eight months or something later. And, and so they really wanted to sell so they could pay the death taxes. And Steve was only making 4 million pre-tax when we bought it.

1 (35m 26s):

And so that buying opportunity only came about because the family needed liquidity to pay that

3 (35m 30s):

Death tax. Yes, that's right. We only found out about it because Charlie C was on his cruise to Hawaii or something with this guy who was a client of vestment counselor, also worked for Blue Chip stamps, which is the company that bought it. And any rate, that's how we found out about it. We paid that guy a finder's fee even we've never paid one since. He always

6 (35m 55s):

Says that. So it was worth it

3 (35m 57s):

Of course. But you don't wanna be a reputation for bank fighters fees. Everybody in the world will be bothering you all day long.

6 (36m 6s):

So what do you think? So there are categories like CS or like Hermes where brands lead to pricing power.

3 (36m 14s):

I think your chances of buying one of 'em so, so low, I wouldn't even look, I only believe in looking at things that I might find. You're not gonna get a chance to buy me.

1 (36m 25s):

No curiosity without

3 (36m 26s):

Return your time.

6 (36m 27s):

Yeah, yeah, yeah. But why do you think there are extremely well-known brands in other categories? Maybe packaged food or something where,

3 (36m 36s):

Well, there are a lot, there are a lot of professional investors that buy nothing but branded goods. And the one they usually start with is Nestle. And they just filler out. They, they've done two or three points better than average, but it's not a bonanza.

0 (36m 52s):

After that, our conversation turned to Kraft Heinz and why Heinz is able to have pricing power while Kraft is not,

3 (36m 60s):

It was very interesting's. Something about the flavor of ketchup on a goddamn fried potato. People are really willing to change brands over, they want Heinz. And so we could raise the price of Hines pretty much anyway. But you try to raise the craft cheese and everything goes in rebellion, including the final, final customer. The housewife. They don't care that much about whether the cheese is craft or not.

1 (37m 29s):

Why do you think that is that some, well,

3 (37m 31s):

One, the sauce flavor, it's happened elsewhere in Korea. One guy is a Chinese guy, throws all the sauces, every single major sauce. He throws at least 95% of them.

1 (37m 43s):

And it's because sauces have such a particular flavor that no one can imitate. The trade secret. Yeah. Huh. And that gives pricing back. Well,

3 (37m 50s):

They'll get used to it and they like it.

6 (37m 52s):

Does that Coca-Cola as well.

3 (37m 54s):

Yeah, sure.

1 (37m 56s):

Charlie, I'm curious, at age 99, what is something that you believe today that 70 year old Charlie would've disagreed with?

3 (38m 7s):

I think I, I knew what I was 70. That was plenty hard. But it, it is just so hard. I know how hard it is now. And all these people who are getting this two and 20 or three and 30 or whatever, they all talk as, oh it was easy. And they get to believe you their own bullshit. And of course it's not a bit easy. It's very hard.

1 (38m 33s):

If you were back 30 or 40

0 (38m 34s):

Years old again

4 (38m 35s):

Today, would you decide to go into the investment business again?

3 (38m 38s):

Well probably 'cause it suits my nature, but I didn't really enjoy the three and 30 business. Once I had enough money on my own, I'd rather just offer it with my own money. That is a much better way of doing it. Hmm. Then

4 (38m 55s):

Because of the be

3 (38m 56s):

Forced freedom, hell be forced to deal with investment bankers, be forced to deal with investment consultants, be forced to deal with venture capital. The hell with who wants to, you don't wanna need other people. The point of getting rich is so you don't have to need other, you don't have to get one other people

6 (39m 13s):

Charlie. If you started with Warren today and you're both 30 years old, do you think you guys would build anything close to what Berkshire is today?

3 (39m 24s):
Yeah. No we wouldn't. We had everybody that has an unusually good result. Almost everything has three things. They're very intelligent, they worked very hard and they were very lucky. It takes all three to get them on this list. The silver successful, how can you arrange to have two? The answer is of good luck. The answer. You can start early and keep trying a long time and maybe you'll get one or two.

6 (39m 53s):
If you were starting again today, do you think insurance would still be the vehicle?

3 (39m 57s):
It depends on your temperament. Insurance would be ideal for a certain kind of a temperament. Hmm. And it takes a very patient person to get rid of insurance. It takes forever to get anything. And it's, it takes forever to push anybody aside, it's very hard to make money.

1 (40m 16s):
I've heard you say as soon as you're wealthy enough to self-insure you should. Is there any insurance thing? Well,

3 (40m 21s):
That's practically everything. Think of all the crumbs of the world that drink too much and then file big claims to the insurance company when the place gets on fire or something. Why would you wanna pay the, your share of their stupidity,

1 (40m 38s):
Not to mention the overhead. Yeah, of course. The insurance company needs to pay all the people that work there. Yeah,

3 (40m 42s):
Yeah. No, no. I I, it's crazy.

1 (40m 45s):
Is there any insurance that you carry today?

3 (40m 48s):
I carry no fire insurance anywhere.

1 (40m 51s):

Do you carry auto insurance?

3 (40m 53s):
Yeah, I have to. Well, you're

6 (40m 55s):
Legally maybe.

3 (40m 56s):
Yeah. Yeah.

1 (40m 57s):
I don't know. Charlie could.

3 (40m 59s):
No, I have to and I do.

6 (41m 1s):
I'm curious being that since these guys are very tech focused, I'm curious not being a tech person, how did you think about the Apple investment and what gave you the conviction to be so big?

3 (41m 13s):
Whatever he is learned is that everybody needs some significant participation in the 12 companies to do better than everybody else. And you need two or three of 'em at least. And if you have that mindset, apple was the logical candidate to be on the list for which you're gonna select your companies. And it's not very hard to come up with the idea that it may be okay.

1 (41m 44s):
Making the list doesn't sound too hard. In fact, there are these acronyms, Fang or mamma, you know, Microsoft, apple, Google, Facebook. But selecting the one and putting hundreds of billions of dollars into it,

3 (41m 57s):
We didn't put hundreds of billions, tens of billions. We 30 billion into it

1 (42m 1s):
To create hundreds of billions of value. That to me sounds hard to pick the one. How did you guys pick the one?

3 (42m 7s):

We couldn't find anything else.

1 (42m 10s):
Was it valuation or, yeah,

3 (42m 12s):
Well it got cheap. We got, it did about 10 times earnings, even more about it.

1 (42m 16s):
2015 I believe was the first. Yeah. It's fascinating to me this concept of if you look at distressed debt or you look at, I think Warren in the last Berkshire letter pointed out, it's been a handful of really good decisions. Or you look at venture capital that's classically power law distributed any of these asset classes comes down to a few really good decisions with high conviction over an entire career.

3 (42m 38s):
Yeah, that's exactly what I, that's exactly the way it works.

1 (42m 42s):
It's not smoothed. There's no asset class where you can repeatedly just do Okay.

3 (42m 47s):
No, there's the, the low hanging for for the idiot is it's not gone, but it's very small.

1 (42m 55s):
You mentioned this idea that when we were talking about Apple, there's a few companies that it's just really important to be in. Do you think these big tech companies being the winners where all of the pensions and Berkshire and university endowments and everyone's 4 0 1 k is being concentrated in these companies. Do you think that was the natural outcome? Did we have to end up this way?

3 (43m 18s):
Yeah, it was natural. That's why it happened. It was so natural.

1 (43m 23s):
What causes that?

3 (43m 26s):
Well, it just, it's just that's what human nature and competition, that's what it causes.

1 (43m 32s):

Will we eventually have one

3 (43m 34s):
Eventually this craziness in venture capital when they're all gone stupid. That's a natural outcome.

1 (43m 42s):
Will we have one $20 trillion companies and then the next biggest company is one. I don't

3 (43m 48s):
Know how the world's gonna, I know we're gonna have things we did. He said they just happened.

6 (43m 55s):
Would you continue investing in China? What's your position with that?

3 (43m 60s):
Well, my position in China has been, the Chinese economy has better future prospects for the next 20 years than almost any other big economy. That's number one. Number two, the leading companies of China are stronger and better than practically any other leading companies anywhere. And they're available a much cheaper price. So naturally I'm willing to have some China risk in the Munger portfolio. How much China risk, well that's not a scientific subject, but I don't mind whatever it is, 18% or something, whatever. Whatever's worked out in the Munger family, it's okay with me.

1 (44m 43s):
What about other geopolitical considerations? Like would you hold TSMC at this point?

3 (44m 48s):
Well I don't like that as well, so I like something with a real consistent owner brand of its own like Apple.

7 (44m 54s):
I'm curious what major companies that haven't been mentioned. Do you think people would do well to study the virtues of like studying the virtues of Costco?

3 (45m 2s):
Well, I only study two kinds of companies. One, I'm enough of big Ben Graham follower to, if something is really cheap, even though it's a crappy company, I I I, I'm willing to consider buying it for a while anyway. And I do that occasionally and I've done it with great successive time or two. But I'm like hard marks. I done it once or twice in my lifetime for big gains and that's it. It's not like I have what was gonna do. I've done a hundred times. So it isn't a bit easy. Yeah, a hundred times the easy money is almost non-existent.

4 (45m 40s):

One type of company is the cigar butt. What's the other type of company?

7 (45m 45s):

The companies that people would do well to to study the,

3 (45m 48s):

Well, the great brand companies. Of course they're good. Get 'em at the right price. The whole trick is getting 'em on the few rare occasions when they're really cheap. But buying Costco at its present price, it may work out all right, but that's again, it's getting hard.

1 (46m 7s):

Yeah.

7 (46m 7s):

Forgetting the prospects of the stock. How do you think about the next 10 years for the business?

3 (46m 12s):

I think it'll do pretty well.

1 (46m 14s):

One more question for you in this area. What is your favorite advice to give to young people?

3 (46m 21s):

Well, I don't give advice to just any young people. I give it a some, I pick my spots. I don't wanna be more of a guru. Young people. I am. It's getting hard out there and there's all this bullshit and craziness. Of course it's gonna be hard.

1 (46m 41s):

Where do the attractive opportunities hang out anymore? It sounds like everything in the whole world is overpriced. Is could that be possible?

3 (46m 46s):

Damn near? Of course it could be possible. It's only possible. It's likely that it's actually happened.

1 (46m 52s):

How did the world get so rich if we have all this capital for so few opportunities?

3 (46m 56s):

It's the nature of things. Look it, biology produces a very advanced creature like us. We consider around and talk intelligently and all these subjects. But it doesn't, by killing everybody off in brutal competition, one with the other for hundreds of thousands of years. In other words, the system that nature uses to get smart is kind of unpleasant to the people who are losing.

1 (47m 20s):
So over the last a hundred years, we've brutally shifted all this value from labor to capital. And now capital's all competing to get into a very small set of opportunities.

3 (47m 30s):
Well, KA never ha ca you would, it wasn't that it was all that easy. You, you go back a long time. It just was a lot easier.

1 (47m 40s):
And if he continues to get harder, the natural end is that you have

3 (47m 43s):
Yes, an unpleasant blowup of some kind and god knows what's happens after an unpleasant up with our modern democracies. You get to, you're a lot like Europe, which is quite dysfunctional.

1 (47m 56s):
Is it too pessimistic of a view to say that the world seems to be out of good ideas to match the amount of capital out there looking for good ideas?

3 (48m 5s):
It was never easy, thoroughly understood. It was never easy. And it's harder now. Those are the two were, and you pay attention how you're handling the people you deal with. You want a good reputation when you're all done, not a badman.

7 (48m 21s):
And I don't think you're saying there are no opportunities whatsoever. I think you're saying No, it's just low, low expectations and fewer bonanzas.

3 (48m 29s):
And the beauty of it is you only have to get rich once you not have to climb this mountain four times. You just have to do it once.

7 (48m 38s):
Well that's sort of your philosophy on both sides is you gotta be patient for the great opportunities. But when

they, you gotta recognize 'em when they come and, and pounce.

0 (48m 47s):
We turned off the mics to have dinner and then recorded a little bit more later in the evening about Costco and some life advice from Charlie.

1 (48m 54s):
So one Costco question that I've been wanting to ask you is all the puzzle pieces of the low skew count and the high inventory turnover and there's just so many things that fit together so beautifully. They're

3 (49m 5s):
Pretty obvious though.

1 (49m 7s):
But how come no one else can pull it off if they're so obvious?

3 (49m 9s):
Well it takes a lot of good execution to do it. You really have to set out to do it and then do it with an geneticism every day, every week, every year for 40 years. It's not so damn easy.

1 (49m 23s):
So you think the success is the magic of the business model and culture?

3 (49m 28s):
Yes. Yes. Culture plus model. Yes, absolutely. And very reliable, hardworking, determined execution for 40 years.

4 (49m 39s):
I mean they talk about the story of the catch up that you could increase the price of catch up by 3% and nobody would notice. But that would destroy everything if you did that right.

3 (49m 51s):
I would say the the central norm was don't raise the market, get it low and keep it there forever.

4 (49m 60s):
Which brings us to the hot dogs. Is it true the story that when Craig took over as CEO, he did try to raise the price of the hot dogs?

3 (50m 13s):

I don't know. I had no conversations with him on that subject.

4 (50m 17s):
And Jim forbade him.

3 (50m 19s):
Well I'm sure Jim would've forbade it. Absolutely.

4 (50m 23s):
There was no board level discussion. No. Of the hotdog.

3 (50m 26s):
No, no. Those two would not have thought it was a board matter to discuss the price of hotdog.

1 (50m 33s):
The one thing that fascinates me about Costco is they seem to only be able to grow 10% per year because they're not capital constrained. No amount of money if they were to access it for free could help

3 (50m 44s):
Them. I'll tell what is, it is hard to open too many stores a year. New store, new manager, new this new politics, new. It's hard. Plus a lot of stuff has to be learned and taught and put in place. And so they didn't wanna do more than they could comfortably handle

4 (51m 4s):
Store openings. You mentioned China earlier, was it 12? No. 20 years that Costco had the license to operate in China and didn't. Well

3 (51m 12s):
Lemme what happened there? There the first store they tried to open in China, the first store, somebody wanted a $30,000 to bribe, you know, Chinese culture. Well and they just wouldn't pay it. And that made such a bad impression on Jim Senegal. He wouldn't even talk to going into China for about 30 years thereafter.

4 (51m 33s):
Ah. So what changed? Why finally go in?

3 (51m 36s):
Well finally the board started making enough noises. So

4 (51m 39s):

You started agitating. Yeah, yeah,

1 (51m 41s):

Yeah. Who on the board could be excited about the Chinese market? Yeah.

3 (51m 46s):

Who can't, who knows?

4 (51m 51s):

Oh, that's so great.

1 (51m 53s):

One thing I found fascinating about Costco was the fact that even though they're, you know, the lowest possible prices, their audience skews wealthy. Was that an accident that they figured out over time? Or did they know that?

3 (52m 6s):

No. So price had that figured out to announce

1 (52m 9s):

All the way back in the price club days.

3 (52m 11s):

Yes. You always wanted the rich man trying to save money.

4 (52m 15s):

Well, and it's not just that they're the wealthiest customers. They're smart, wealthy customers. Picky. Yeah. They're picky, wealthy customers

1 (52m 23s):

On some topics that are outside of Costco. You mentioned in the Daily Journal annual meeting this year that a young man knows the rules and an old man knows the exceptions.

3 (52m 32s):

Yeah. That's an old saying of Peter's.

1 (52m 34s):

Oh, is that a Peter Kaufman? Yeah. What are some of the exceptions that you've found the most useful in life?

3 (52m 43s):
Well take those goddamn Costco hot dogs. That's an exception. Anybody else would've raised the price of hot dogs a long time ago. They just don't do it. They just know that it's like half famous and people bring their kids in. They have the, they they know they've got something going there that's worth extra money to and they just don't destroy it.

1 (53m 5s):
A thing that I've never fully understood. I know you're a big fan of the company, BYD that of course makes the, the, the Chinese company that makes batteries and electric vehicles.

3 (53m 14s):
I may be a big fan but I'm sort of hanging out by a hat while he lurch around the track and they, they make me nervous. It's so aggressive.

1 (53m 26s):
Is that dangerous in a company?

3 (53m 28s):
No. That's what makes me nervous. Of course it's dangerous.

1 (53m 32s):
So do you think that companies should try to grow at a lower rate than they're capable of in order to be more durable?

3 (53m 41s):
Well if it's, of course you do that if it's safer and it's easier and so forth. But I would argue at Costco where they've done some of these things that are extreme, like the hot dog, it's been a plus and they've been smart to not to change their ways on one item or two.

1 (53m 59s):
And it seems like there's a spectrum where on the one side there's Costco that is just not a fast-growing company 'cause it's very difficult to and on BYD like you're saying, they grew like crazy. I mean you turned, well

3 (54m 12s):
BYD this year sold at least two and a half million cars. Most of 'em electric. That's unheard of. Only ever heard of. They sell way more than Mercedes, for instance. More

1 (54m 25s):

Than Tesla,

3 (54m 25s):

Right? Yeah. More than anybody. Yeah. Lots of troubles and losses. They ran into terrible trouble. They, they created the wrong kind. They made lots of mistakes. They were lucky they'd be on the cutting edge of this electric car business. It's way more acceleration than most people. So you got a car with more oomph than most people. So the young macho male has a real lively car. There are a lot of things. Electric car really works in some ways that it is better. And making a 90 degree turn, you go right opposite a parallel part your place and just move this way. Turn the wheels 90 degrees and go in.

3 (55m 6s):

Yeah, well nobody's ever done that. If your car goes flat, you could run a hundred miles on three other wheels or something.

8 (55m 16s):

And do they have better economics? 'cause they don't have nearly as many parts.

3 (55m 20s):

It's simpler.

1 (55m 22s):

Have you ever had an investment like that before? I think you've invested something like 270 million that's now worth something like 8 billion in BYD.

3 (55m 31s):

Well, very good people have a investment that's a venture capital type investment. It happened to be a thinly traded public company and we bought it instead of a venture capital type company. It was a venture capital type play. And they just went, put the foot right to the floorboard and played it hard.

1 (55m 51s):

Had they manufactured by the

3 (55m 52s):

Way? Both BYD and, and we tried to talk how going into the car business, they're gonna buy a bankruptcy car business and going into the car. But I said, that's a graveyard for you. Oh, so why would you wanna do that? And he paid no attention to us and right ahead.

1 (56m 12s):

Had you invested already when he told you this plan?

3 (56m 14s):

Yes. Yes. And it worked fabulously well after a huge mistakes. They almost went broke with their early dealership building system. Almost went broke.

4 (56m 27s):

What captivated you about B Yj?

3 (56m 29s):

That guy was a genius. He was at a PhD in engineering and he could look at somebody's party. He could make that part, you know, look at the morning and look at it in the afternoon. He could make it. I'd never seen anybody like that. He could do anything. He is a natural engineer and a get it done type production executive. And that's a big thing. It's a big lot of talent that happen in one place and it's very useful. They've solved all these problems on these electric cars and the motors and the acceleration and the braking and so on.

4 (57m 8s):

How would you compare him and BYD to Elon and Tesla?

3 (57m 12s):

Well, he's a fanatic that knows how to actually make things with his hands. So he has to, he's closer to ground zero. In other words, the guy at BYD is better at actually making things in in the audience.

1 (57m 27s):

Charlie, you turn a hundred. Yeah. Which is an unbelievable statement. On January 1st of next year, do you have any plans?

3 (57m 37s):

I'm gonna a party.

4 (57m 40s):

Where's the party gonna be

3 (57m 42s):

To California Club. But I've totally maxed out the room. I can't squeeze another person.

1 (57m 49s):

What captivates you these days? What's fun?

3 (57m 52s):

Well, practically everything is, even politics bad as it is, is kind of interesting.

4 (57m 59s):

When you look back at your, you're in Warren's time together. When did you have the most fun?

3 (58m 4s):

We had about the same amount of fun all the way through. We're having fun now.

1 (58m 11s):

Is there a particular era that you remember the most fondly that feels like the good old days?

3 (58m 16s):

Well, we remember we were sweating blood in some of those good old days.

1 (58m 20s):

Oh, I mean, Solomon Brothers, Solomon

4 (58m 22s):

Brothers. Yeah, yeah,

3 (58m 22s):

Yeah. Oh, a lot of close misses. We got out with a big problem with Solomon. We could have had a big loss,

4 (58m 30s):

We could have had more problems than just a loss with Solomon. Right. Well

1 (58m 34s):

Actually it's on, on our, when we examined Berkshire Hathaway on our podcast, our takeaway was that the whole franchise was at risk during Solomon Brothers, the entire Berkshire Hathaway name and future. Would you agree with that?

3 (58m 48s):

Not so much. I, it would've survived it

1 (58m 51s):

If you would let the whole investment in Solomon go to zero. It would've been

3 (58m 54s):
If, if it all blown up and went to zero, we would've written it often and gone and done pretty well.

4 (59m 2s):
What do you consider it to be your finest hour?

3 (59m 7s):
Well, we like to remember the close misses were very real terrible problems. We had a terrible problem with the Buffalo Low news,

1 (59m 18s):
The Buffalo Evening News. Yeah.

3 (59m 20s):
Brawl. Yeah, it was there. There were two newspapers in that town and we started a Sunday edition and that started a Holy War and the other guy went broke. But we, we could have a lot of bad ity over that.

1 (59m 33s):
And you were, you were both pretty young and enterprising at that point. Yeah. I mean, you weren't the Warren and Charlie of

3 (59m 38s):
No, but I was very aggressive about wanting to have a good Sunday edition. I didn't wanna own the paper for 50 years. There's no Sunday edition. And the other guy had one.

1 (59m 49s):
What made the newspaper business so attractive at that point in history? Well, it

3 (59m 52s):
Was a gold mine

1 (59m 54s):
That's

3 (59m 54s):
Attractive at that time. Total Gold mine. Well,

4 (59m 57s):

And the play in particular with the Buffalo Evening News and the Sunday edition was playing for the local monopoly, right? To Yeah, sure. Be the game. The game in town. And with newspapers you could do that. Sure. I mean, newspapers for decades had EBITDA margins in the 50, 60% range, right? No,

3 (1h 0m 17s):
Only the little ones.

4 (1h 0m 19s):
Only the little ones. Oh

3 (1h 0m 20s):
Yeah. The big ones are less 30 or 40 or 25, or,

4 (1h 0m 25s):
I'm sorry, I said EBITDA in your presence. I apologize. Cash flow margins,

1 (1h 0m 29s):
Actually. Do you still feel as that EBITDA is a, a criminal, the way that you've demonized it in the past? Yeah,

3 (1h 0m 35s):
I do. I, so you got my big truck company and take the depreciation out of the trucks. Out of the earnings. You're been lying about the earnings.

4 (1h 0m 46s):
I mean, you witnessed its rise with Malone and TCI and Liberty, like when EBITDA was invented as a concept, right? Like what were you thinking?

3 (1h 0m 55s):
Well, I've never liked Jum Malone's extreme manipulations. I don't wanna be known as the great manipulator like Jum Malone is. He paid less income taxes than anybody. He just pushed everything to the dry extreme.

1 (1h 1m 11s):
In many ways, EBITDA was the community adjusted earnings of its era. Are you familiar with the community adjustment from No. From

4 (1h 1m 19s):
WeWork. WeWork, WeWork. Oh boy. Maybe final question to wrap up. What are the set of companies that you think are the greatest that you've ever seen, either that you've owned or that you've not owned?

3 (1h 1m 34s):

Well, there are a lot of great companies and her Maze is a great company. It's heyday, general Motors is a great company. It just gradually went to hell. One contract at a time.

8 (1h 1m 50s):

What do you think about the predictability of, there were a number of companies back when you started where you could have said, this business will be the same in 10 years. You think that number is the same today? Or do you think it's much harder?

3 (1h 2m 2s):

I think most places have a lot of change in threat in their future.

1 (1h 2m 7s):

Do you think most places had a lot of change in threat in their future, even 50 years ago? And this story is overblown.

3 (1h 2m 12s):

There's a difference. Some what I call a specialized industrial company, and Berkshire has a lot of them. We have a lot of companies that are quite insulated from really tough competition just because they've been so long and they're so good at what they do and has a good reputation and high value and so on. So

8 (1h 2m 31s):

What companies can you see today where you can confidently say, Berkshire aside, Costco aside, you can confidently say the business will be as good as it is today in 10 years.

3 (1h 2m 43s):

10 years? Well, I think a lot of companies are pretty good, but you can't commonly say what's gonna happen because you may get some guy like iger him that just wants to push everything and do the right public relations. So no matter how good the business is, it'll be kind of phony.

1 (1h 2m 60s):

Charlie. I have a personal question for you. David has a two-year-old, and I am gonna have my first child in a month. What advice do you have for us about building families?

3 (1h 3m 15s):

Well, of course you gotta get along with everybody. You gotta help them through their tough times and they help you and so forth. Yeah. But I think it's not as hard as it looks. I think half of the marriages in America work pretty damn well and would've worked just as well if both had to marry somebody else, by the way.

4 (1h 3m 37s):
Well, you've said that the best way to have a great spouse is to deserve one. Sure. Yeah, sure. As long as both parties feel that way, then it's a recipe for success.

3 (1h 3m 46s):
Of course it is. And you gotta have trust with your spouse when it gets things like education to the children and so forth.

1 (1h 3m 55s):
Yeah. I love that. Well, Charlie, thank you. Yeah,

4 (1h 3m 58s):
Yeah. Thank you, Charlie.

3 (1h 3m 59s):
Well, good luck to you, Charlie.

8 (1h 4m 1s):
This has been, a lot of people are gonna benefit a lot from hearing this in your, your wisdom, and they're gonna learn so much. It's

3 (1h 4m 8s):
Very fun. Well, you know, if you start thinking about it, it's pretty hard. It doesn't look so damned easy just to go out. If you go to the ordinary person trying to promote himself as an investment advisor of some kind. He just thinks he knows everything about everything and how the Federal Reserve should be run and so on. We don't feel that way.

4 (1h 4m 26s):
I will say with the people we get to talk to who've built great things, every single one of them says it was so hard. It's so hard. And you can't build something great without it being so hard.

1 (1h 4m 38s):
Charlie, thanks so much for doing this with us.

3 (1h 4m 40s):
Glad to do it. It'll be an interesting life here, lady. You'll do pretty well at it. But it's not gonna be that damn easy,

1 (1h 4m 48s):

David, total life experience and complete boondoggle.

0 (1h 4m 51s):
I can't believe we got to do this. I'm still pinching myself. It's now a couple weeks after it actually happened.

1 (1h 4m 57s):
I know with autographed copies of Poor Charlie's Alman Act to prove it

0 (1h 5m 1s):
As if the podcast wasn't enough. And actually, for those of you who haven't listened back, what in 2021? So two-ish years ago, we did a whole three part series, just us covering the whole history of Berkshire Hathaway. Part one is on Warren, part two is on Charlie, part three is on Berkshire and Ted and Todd all the way up through to today. I assume many of you have listened to that, but there probably are a bunch of folks who haven't. So if you want another nine or 10 hours of Acquired content on Berkshire, I really think it's some of, if not our best work, go check those out.

1 (1h 5m 35s):
With that listeners, our huge thank you to Tiny for being the sole presenting sponsor of this episode. If you have or you know of a wonderful internet business, you should reach out hi@tiny.com and just tell 'em that Ben David and Charlie sent you. You can sign up for notifications of new emails every time an episode drops, and we'll be including little tidbits as we learn things after releasing episodes, corrections updates, things like that, and teasing the next episode, acquire Data femme slash email. Listen to ACQ two. This is typically where we talk about more up and coming companies who are earlier in their journeys. We CEOs who are topic experts in important areas like ai, search, ACQ two, and any podcast player.

1 (1h 6m 20s):
After you finish this, Join, the Slack Acquired fm slash Slack and discuss what the whole Acquired community. And if you wanna get some of that suite Acquired Merch that everyone's talking about, go to Acquired, do FM slash store with that listeners, we'll see you next time.

0 (1h 6m 34s):
We'll see you next time.

2 (1h 6m 36s):
Who got the, is.