Thoughts on "Business Adventures: 12 Classic Tales from the World of Wall Street" and Investing

"Business Adventures" by John Brooks, published in 1967, is a collection of *New Yorker* magazine articles from the 1960s that I have reread quite a few times. The book is also a favorite of both Bill Gates and Warren Buffett, and we hope you enjoy it as well.

Mr. Brooks' essays on topics such as a major stock market pullback, growth companies, tabloid-worthy scandals, epic business mistakes, and serious monetary issues are timeless. They could have been written about recent events and not headlines that are over fifty years old. We think it's comforting to be reminded that a lot of business and investment issues we see today are hardly new. We also think it's a good time to review several core beliefs we have on investing.

First, as Peter Lynch wrote in his book *Beating the Street,* "a decline in stocks is not a surprising event, it's a recurring event -- as normal as frigid air in Minnesota. If you live in a cold climate, you expect freezing temperatures, so when your outdoor thermometer drops below zero, you don't think of this as the beginning of the next Ice Age. You put on your parka, throw salt on the walk, and remind yourself by summertime it will be warm outside. A successful stock-picker has the same relationship with a drop in the market as a Minnesotan has with freezing weather."

Second, we think you'd need over $200 today to equal the buying power of $1 in 1931, when my Dad was born. Meanwhile, the Dow Jones Industrial average, which closed 1931 at 77.90 closed July 15, 2022 at 31,288.26 (a 401x return).

American prosperity is stunningly greater than in 1931, but investors definitely needed to grow their capital. As John Templeton noted, there is no safety without maintaining purchasing power.

Third, the investor Leon Levy said that he was uniquely qualified to analyze the investment markets since he received an A+ in a college course in abnormal psychology. As we have often pointed out, we do not think we can successfully time the market. For that matter, we feel no one can since the very good long term returns of stocks are concentrated in a startlingly small number of days in any given year or decade. If Warren Buffett feels he cannot tap dance into or out of the market successfully, there is no reason to think we can either. As Mr. Buffett stated at this year's Berkshire Hathaway meeting on a Saturday: "Obviously, we haven't the faintest idea what the stock market is going to do when it opens on Monday."

Fifth, we want to own businesses that do well whether we have inflation or not. We think that if you have the best McDonald's franchise, rental apartment building, 7-Eleven location, and liquor store in town, you occupy the economic high ground. This is also true if you own interests in businesses like Costco, Berkshire Hathaway, Apple, and Amazon. You shouldn't worry too much about macro issues such as inflation or government debt. As John Kenneth Galbraith quipped: "The purpose of a economists is to make astrology look good."

And finally, as Gertrude Stein mused: "Everybody gets so much information all day long that they lose their common sense." Almost 100 years later, smartphone notifications and non-stop media greatly reduce focus and exacerbate the human irrationality that has always existed. Richard Thaler, the Nobel

Prize winning expert on the interplay between human behavior and economics, recognized this when he said: “I was on a morning talk show once, and someone asked what my advice would be the next time there’s market turmoil. I said, ‘Well, it would be to switch off this network and leave things alone.’ I was not invited back.”

And with that, we invite you to pour yourself a tall lemonade and wile away a summer afternoon with John Brooks. As always, we are eager to hear from you if you have any questions or thoughts on investing.

With Warmest Regards,

Chris Gottscho

Things to Note

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