

## Tren Griffin - Transcript

- Jim: [00:00:09](#) Well, hello everyone. It's Jim O'Shaughnessy with my colleague, Jamie Catherwood, for another edition of Infinite Loops. I am very excited for today's guest who has been a guest before, Mr. Tren Griffin, who is a senior director at Microsoft, the author of amazing takes on what you can learn at his 25iq, his lessons from Steve Martin's The Jerk, which I loved, Chance the Rapper, what he can teach us about business. I love the way you look at things, Tren, because we are so simpatico. You can learn so much from areas completely outside where you're supposed to have domain knowledge. Welcome.
- Tren: [00:00:55](#) It's great to be here. I've been looking forward to this because before you turned on the podcast, we were talking about you coming up for a visit and what I would really like to explore with you is how we're similar and how we're different because I have this feeling that you and I were born, we arrived, and we came out of the chute and we were going, "What's that? Who are you? What's going on? Where are the books that explain all this?" Just immediately with questions.
- And I suspect that we were both precocious children, like when my Mom passed away, my sister sent me a letter from my grandmother that my grandmother received, and my Mom said I went on strike in nursery school for a week because I wanted to be in kindergarten. There wasn't enough going on here. I was bored and so I think that you were probably that way, too, and you just want to know things, like why?
- I'm always asking why? I was asking why so much, my teachers would say, "Why don't you go down to the library and help Mrs. Saunderson shelve books," because they just wanted me to stop asking why all the time, right?
- Jim: [00:02:04](#) Yeah, absolutely. I have alienated my entire family. My wife sees me coming and she's just like, "I'm not jumping down that rabbit hole with you. Just stop."
- Tren: [00:02:15](#) Stop with the questions. Why do you have to ask? Well, where do these things come from? But I think it is innate that you just want to know why, and that leads to a thing about personality and I think what's fascinating about you, is you talk about this just like it's normal, just like, "Well, I went to this meeting of my family and my uncle's about a foundation and then I had this question, and then I went to a research library with a paper spreadsheet and started doing statistics."

And I'm just going, "This ain't normal. This O'Shaughnessy guy is nuts. He's just like me." Right? I mean, you tell it like it's just like walking down the street. "Oh, well so of course then I went to the research library with a paper spreadsheet and started doing statistical analysis." Come on! That's not normal.

Jim: [00:03:10](#) Yes, I bet you were a fan of Mel Brooks, right?

Tren: [00:03:14](#) Yeah, of course.

Jim: [00:03:16](#) Do you remember Young Frankenstein when he's looking for the brain, Abby Normal? I think that's me and you, Tren.

Tren: [00:03:29](#) Exactly, but we have this thing but then we were heavily influenced, both of us, by our grandfathers, right? In your case, Ignatius. My grandfather's a guy named [Mel Link 00:03:35] and when I was about six, my Mom used to dump me off at his marina and I'd go sit in his 45-foot Chris-Craft and his friends would come in and they'd start telling stories. And this was in the early '60s and they didn't think I could listen because I was little, but I was listening to every word they said.

Seattle was an open city then. You could pay the cops off and do anything. There were casinos, it was wild, and I was listening to them plan the World's Fair and their businesses and investigating why and buying hotels and all that. My eyes were big and I was just going, "I want to be in stories like that," because these weren't just stories, they were in these stories. And it was "Cool, they're planning the World's Fair." It was "Yeah, I'm down with that." Now in your case, let's hear about your case, your grandfather.

Jim: [00:04:20](#) So in my case, it's interesting because of what you said about Seattle, the open city. So St. Paul where I grew up, where my grandfather lived because my grandmother said, "You can be in the oil business but you're living in St. Paul where all of my relatives are." She was a classic, old-school Irish lady and he was like, "Sure, no problem."

St. Paul used to be an open city like Seattle. There's actually a book about it called Saint Mudd and basically whoever was the head of the police back in the '20s or even earlier, made a deal with the gangsters. "You can come to St. Paul. We will not harass you. The rule is, you may not commit a single crime here." So it turns out that running around St. Paul with John Dillinger and all these guys because they had the deal, so we grew up in similar times.

My grandfather was a very fascinating guy who I just have huge admiration for and he influenced me a great deal. So he was an oil wildcatter. He graduated from college in 1904-1905, but that was after he got kicked out of his first college. He was born in 1885. Again, put yourself back into that time frame, right? No cars, just a very different world, and so they decided he was going to go to this Catholic college called St. John's, which is in a place currently called Collegeville.

So he went and got kicked out because he and a bunch of friends had a keg in the woods during Vespers, which is a prayer service. So my grandfather, being the kind of guy that he was, he's like, "This is going to be bad for me with my Mom and Dad unless I've got another position that I can go and tell them about," so he took a train in January to St. Paul and went to a college called the College of St. Thomas.

And he stopped a priest that he saw and he goes, "Excuse me, sir. Would you tell me where the president's office is?" And the priest asks, "Why?" And my grandfather said, "Well, honestly, I'm seeking admission," and the priest said, "But it's January. We don't admit new people in January." And he said, "Why are you seeking admission?" My grandfather said, "Because I got kicked out of St. John."

"Really? Why did you get kicked out of St. John?"

"For having a keg in the woods during Vespers." And here's what I learned from my grandfather. The priest asked him, "Well, do you think that they were right to do that?" And my grandfather said, "Absolutely. I knew the rule. I broke the rule. They did the right thing." What he didn't know was the man who he stopped was the president of the university, who admitted him on the spot.

A bunch of his buddies had beat him there and they all were like, "It wasn't our fault. It's on there," et cetera. None of them got in. My grandfather, who was like, "Absolutely it was my fault," got in, so therein lay the tale. He was just a fascinating storyteller, again to the story, but also just a really interesting guy who became an oil wildcatter back when there was still a bunch of oil wildcatters.

Hit it big, the well that he hit first time, talk about luck of the Irish, was still pumping oil last time I checked with my cousins back in, I don't know, 2010? So literally, almost 100 years, and the thing that I really learned from my grandfather was, stories

are great. You're only going through life once. Make it interesting, live an interesting life.

Secondly, your word is your bond. You don't surrender your agency to anybody. If you did something, you screwed something up, you own it. You didn't, you got to do that if you really want to succeed but then, after making all this money, he proceeded to give it all away, and this is before the whole challenge with Gates and Buffet and all those guys, right? So during his own lifetime, he gave away 95% of his own fortune.

Tren: [00:08:48](#) That's great.

Jim: [00:08:48](#) Which I'm enormously proud of, because who wants to be a trustafarian, right? You won't have any good stories and so yeah, just a really great, great man.

Tren: [00:09:02](#) That's a fantastic story. It's about character, too, and the story that I have to tell you is, so I'm like six or seven or eight. I can't remember exactly, but it was in that window and this involves Minnesota. You had a really great football team that was ranked number one in the nation and this was during that period in Wisconsin. The year before the Huskies, the University of Washington Huskies, finally got to the Rose Bowl, those two years.

But there wasn't much press on the West Coast teams because all the press was back east. And so they were setting odds for the game and the odds were to my grandfather and his friends like, "These are fantastic odds and we're going to go bet big." And they really bet big. Now, my grandfather went through the Depression, was very conservative, worked in a bank. He ran a family office for the wealthiest family in the Northwest, office buildings, all sorts of things.

He was very, very conservative, but when he saw these odds he said, "This is great!" And so they all went down there. They bet big and they made a huge amount of money. But one of the things that's fascinating about that is what I learned is, when humans set the odds, not the house, when the humans set the odds, sometimes they mis-price something and that's just like the stock market, right?

You go to Vegas and play roulette, the humans don't set the odds. You're going to lose if you play long enough. But in this case, so he went down there and bet big. And he didn't bet often but it was just obvious to him, and Minnesota and

Wisconsin both lost to Washington in the Rose Bowl, but that just sort of made me sort of really interesting in entrepreneurial activity. And the thing that's fascinating about me is, I think we're both quants.

You and I are both quants, but you are a big-picture quant and I'm a small-picture quant. You wrote What Works on Wall Street. If I wrote a book that was the mirror of that, I would say What Works on My Main Street, like I want to find four companies and know everything about them. And I want to find the equivalent of my grandfather's bet on the Huskies in the Rose Bowl, where there were [inaudible 00:11:09] perception. You understand what I'm saying?

Jim: [00:09:02](#) Yeah.

Tren: [00:11:13](#) And so our lenses are going in a different direction and I think most people are better off doing what you do, because it's safer as an investor. But the crazy thing is, though, not that crazy but the reality is, as you go through life, you can't say to your prospective spouse, "Well, this is going to be risky marrying you, so I'm going to lay off a lot of bets here and I'm going to have 10 wives," right? Or "Yeah, I'd like to come work for your company but there's a lot of risk in that, so I'm going to work for 10 companies at the same time," right? You can't do that, right?

Jim: [00:11:48](#) That's right.

Tren: [00:11:50](#) And you, I was talking about your neighbor, Clint, the other night on Twitter. You and Clint, you guys started businesses from nothing. That was serious, that was brave! And you were smart and you built a business and you didn't say, "Well I'm going to start nine businesses," right? You had to put everything into that one bet but in both cases, you both had to say, "This is a really good bet. The odds are in my favor." Now, you probably overestimated because you have overconfidence, everybody does. But you know what I'm saying? But anyway, I think we're both quants. We just focus in a different way.

Jim: [00:12:27](#) Yes, I completely agree with you.

Tren: [00:12:30](#) That's sort of a monologue but it's something I've sort of wanted to get off my chest, which is I just think we're super similar, our incessant curiosity and desire for new experiences, desire to tell stories and all that, but we just have a little different thing. But I still want to understand what caused you to say, "I'm going to take a paper spreadsheet and go to the Hill

Research Library?" That's not normal! Tell us, what led you to do that?

Jim: [00:13:06](#) So I had at that age, as a teenager, listening to my father and uncles argue, I sort of had a satori if you will, which is, "They're talking about people's personalities. I could be wrong, because I don't know anything about this," so beginner's mind, right? But wouldn't you want to know what the free cash flow of the company was? Wouldn't you want to know how much you had to pay for every dollar of that? It just sort of intuitively made sense to me [crosstalk 00:13:41]

Tren: [00:13:40](#) But what happened statistically?

Jim: [00:13:45](#) That's a great question. I mean, I guess that's a genetic predisposition. I don't know.

Tren: [00:13:51](#) I think that's true.

Jim: [00:13:53](#) Yeah, I think maybe because I keep journals, as you know and I've got them all here in my temporary office and I've been going through them. They go all the way back to 1978 when I was 18 and so I always was kind of a systems thinker. In other words, don't tell me about the person. For example, in 1984 I think it was, I wrote this big piece about how the USSR had to collapse, and it had to collapse because the underlying system didn't make any sense.

And it didn't matter what they were doing up here, if the underlying system doesn't make any sense, eventually kaboom! And so I guess it's probably genetic and I guess that I just have always tried to look in terms of systems. But I've also, like you, another area where I think we're very similar and simpatico, is I think you can learn a tremendous amount by reading and understanding other things adjacent, maybe not even adjacent, to what you're doing, right?

So I'm a huge fan of the Tao Te Ching, as you know. I'm a huge fan of that way of thinking and I know that you also share with me this idea that, don't get a degree in finance, get a degree in philosophy or evolutionary biology or psychology if you really want to understand, because at the end of the day we're all people and we're all running human OS, right? And so if you understand human OS, and here's the real key to me, and I know you know this. We're all running human OS so to try to say, "Well all of them are running human OS but not me," well, there's no hope for you.

Tren: [00:15:43](#) So the interesting thing is you learn sort of by metaphor. You, I mean the royal you. We all learn by metaphor when we're looking at other things, so I sort of believe you can learn from anybody and anything.

Jim: [00:15:59](#) I agree.

Tren: [00:16:00](#) Put me at the end of a table in a large banquet with a guy who's a commercial fisherman, done nothing else, I'll have a fascinating conversation with the guy because I want to know everything about pricing, how the fish go, what kind of fish, how to keep it fresh, what's the ice going, what's the ice cost, how do you break it down? And for me, when I was growing up there was this chain called Dick's Drive-In, which is just our in-and-out. And then there was [Hurfee's 00:16:23] and then there was Dag's and then there was Burgermaster and then McDonald's came to town and hamburgers were 19 cents.

And everybody else was going to McDonald's to have a hamburger and I'm saying "19 cents." I said, "I wonder what their margin is on that. How's Dick's going to survive? McDonald's is national. Some places have sit-down, some places don't," and so I asked those questions. This is messed up but that's just the way I am, right? I want to know, how does this work? And that's the systems thinker sort of and other people are going, "Just relax. Eat the burger."

It's like, "No!" It's got pickles on it, but anyway, because I had this conversation with your son and he said, "Well okay, I'm doing classes, what's the business I should really understand?" And I said, "Oh, Dick's Drive-In for sure, which is our in-and-out." The Gates's favorite is Dick's or Burgermaster, mine too. But the point here is that I'm fascinated by the system and how it works and what the margins are, but I want to get granular, like "What's a single serve ketchup cost? All those sorts of things.

And by understanding that, by understanding unit economics, I believe the value of a business is the value of its customers summed up and then the value of its potential future customers. And so I start bottom up, value all the customers, add them up. Anyway, but that's sort of where I went, but the fascinating thing though is, you sort of grasped on to behavioral economics very early and we both realize that humans are flawed creatures and that includes us. And so, one of the fascinating things about your history is, you wrote this paper, The Internet Contrarian, right?

And it's a great paper, and then there's this fabulous story about Netfolio, like despite writing that article, you started an Internet company, right? And not only did you start an Internet company, but you started it late, and you started it late and then it exploded in value! And there you're on Oprah, right? It was unbelievable. And the thing that's fascinating about that is, you talk about the fact that it was an information cascade, which is different than herding, right?

- Jim: [00:18:40](#) Very, very different.
- Tren: [00:18:41](#) Yeah, the people who were like, "Oh, wow! He was on Oprah? I got to follow him," that's herding, right? Information cascade is you writing this article about Internet valuations and then starting an Internet company and then not selling it! If I would have been friends-
- Jim: [00:18:59](#) Oh catastrophe!
- Tren: [00:19:02](#) No, it wasn't a catastrophe. You could tell a great, great story. You can't make that up. O'Shaughnessy starts an Internet company. Fabulous!
- Jim: [00:19:15](#) What the hell is he doing?
- Tren: [00:19:16](#) Yeah. No, no, he's on Oprah so he's like, Wow! What a luck! This is not boring.
- Jim: [00:19:26](#) Well, that's the point though, right, isn't it? I mean, so that's the way I've come to really look at the world, right, and life in general. Make it interesting because this is not a dress rehearsal. This is it. This is our life and before we started recording, you started telling me all the things that we would do and you listed three or four different things, and I said, "Yes! All of those."
- Tren: [00:19:54](#) Let's go shrimping.
- Jim: [00:19:55](#) That's so stupid because I've never been shrimping and that'll be fun and I guarantee there's going to be maybe one, two, three good stories out of that.
- Tren: [00:20:05](#) Oh, absolutely.
- Jim: [00:20:08](#) So I think what I'd like you to do is, tell me a little bit about when you founded Teledesic because we're both founders and



we both have had this experience and I'd really like to hear yours.

Tren: [00:20:22](#) So the crazy thing was for me, what people don't realize is, everybody has a miracle year. Your miracle year was probably the year you wrote your first book and it just blew up. Kids talk about it as blew up. It's a good thing, right?

Jim: [00:20:38](#) Yeah.

Tren: [00:20:39](#) So it was fabulous for you, and for me, 1994 was my miracle year. The commercial Internet was arriving. My background was in wireless and Bill Gates and Craig McCaw were willing to back a business that was going to create a global constellation of satellites all around the world. This is StarLink today. But it was originally just going to be just like phone service and that just seemed kind of lame. But then my friend and I, who I went to kindergarten with, we'd known each other forever, were among the founding group and we said, "No, no, this should be broadband and we should use 28 GHz," which is K band spectrum but that doesn't matter.

But it was going to be all new and it was going to be crazy, and it was nuts and it was '94. And what's hard for people to imagine today is starting a company in 1994. That was pretty crazy, especially if you came from a background like mine, like "What are you, nuts?" But we say, "Yeah, but these guys are behind this." Bill and Craig in Seattle were legends already. "They did it, we can do it. They're behind it, let's go."

And also it was sort of like "This is super fun and let's change the world and if you don't do it now, when are you going to do it?" But it was literally nuts and people thought we were literally nuts. You start out, you have nothing. You don't have insurance, you don't have a cubicle, you don't have anything. It's like "Okay," but the good news is we had money and the greater news is we had these guys promote behind us, so we could get any meeting in the world, like we want a meeting with Mitsubishi, it's like "Sure." So I fly over there, it's 29 people around the conference table and me, doing the sell, right?

Jim: [00:22:25](#) I've been there.

Tren: [00:22:26](#) Right, and raised \$1.4 billion and it was fun but it was also just stories and then we'd all go out for sushi afterwards and have kaiseki dinner, whatever it was, but it was just this amazing... I flew 500,000 miles a year for five years in a row, right? You can

only do that flying international, with the 12-hour flights and all that, but the point was to have that experience and do it, but the other thing is, what I try and tell people today is, when you do it, you better be all in, right?

I've heard you talk about when you used to do sales trips to California every week, and when you're selling, you're telling stories, right? You're telling your story about your company, your way to invest, and you got to be all in for that. And if you're not, then you better do something else, and so the interesting thing for me is I went through that experience. I had that experience and it was fabulous and it gave me my money so I didn't have to worry about anything ever.

And so at that point I was casting around for my philosophy of life or whatever and then there's this guy, Michael Larson, who manages Cascade. He's the least-known, best investor probably in the world, and he introduced me to, first of all Mauboussin, our mutual friend, Bill Gourlay. I started the company that year. All these things were going on, and it was my miracle year and everything exploded.

Well, by the time I saw Munger, I was sort of saying, "Well, what philosophy should I have?" Like "What's the system?" And that's what people miss about Munger, is that when I'm in my day job, trying to grow the number of consumer users of 365, I'm thinking like an investor, and to have a process where margin of safety, circle of confidence, all those sort of things, just helped me crystallize things.

But then it's also, his key thing is, the only reason he wanted to be wealthy, so he could do whatever the hell he wanted and be his true self and pursue his own interests. Money ain't shit if you're not able to do the things that you love and that you want to do, right?

Jim: [00:24:44](#)

Amen.

Tren: [00:24:45](#)

Sorry for the French.

Jim: [00:24:46](#)

Oh no, no. This is a swearing podcast, so you can say "What the fuck," you can do whatever you want.

Tren: [00:24:51](#)

But the point is, I finally found somebody who had systematized what I wanted to do going forward, which is be happy. And so since then it was sort of a relief, sort of saying, "Okay, well, there's no outside yardstick. It's all inside yardstick and this is

sort of what I want to do, and this is who I want to be and I want to have fun," because I like to have fun and I like people. But then the other thing is, I kind of liked to be a teacher from that point forward in my life because I've learned some things and I'm trying to make a net positive contribution. I'm not always on but that's what I'm trying to do, and so writing books and whatever.

And I sense that in you, too. I mean, Buffet says to put on his tombstone he says, "Teacher." Sort of what can you do, and he's an odd fellow because what people don't understand about him is, he really doesn't care what people think. Like people say, "Oh, he's under pressure from activists." He doesn't give a shit what anybody thinks. He's going to do what he's going to do. He doesn't care, and if you watch Becoming Warren Buffet, you see it. He is what he is and that's what he is. And if you understand that, you understand him and how to learn from him, and not to do everything he does.

Jim: [00:26:13](#) Yeah, listen, you are giving away the secrets to designing the perfect life, honestly. I mean, so number one, add more than you take. I just believe in that. People are like, "What the fuck are you doing on Twitter writing these threads and talking to these people?" I'm like, "Because I enjoy it and I like to help people," and sometimes I don't, sometimes I do, but hey, I'm putting it out there because hey, Twitter's the new university in my opinion, and so that's right. Don't give a fuck what other people think. That's really easy to say. It's really hard to be that way.

Tren: [00:26:58](#) Agreed.

Jim: [00:26:59](#) I am that way and I try to tone that part down of myself. You are that way, you definitely are that way. And so it's kind of like game recognizes game and Buffet is the perfect example, but so is Munger. I think Munger is the wonderful example of "Why do you want to be rich in the first place?" Do you want to be rich so that you can impress other people or you can live in a big, fancy house or own Picassos? That's bullshit. That's not going to work.

If you want to be rich so that you can do exactly what you want to do when you want to do it, now! Now you've got my attention. Now I'm going to listen to you. That's Munger. I mean, I think the guy's a national treasure. I mean, here he is, how old is he now? 97?

Tren: [00:27:49](#) Yes. It's amazing, isn't it?

Jim: [00:27:54](#) 97! The guy's got every brain cell he was born with.

Tren: [00:27:58](#) Yeah, that's the other thing is, if you keep your mind active, you're not going to lose it. It is a use it or lose it situation, so there's that personal side to it, but then there's also the first part you talked about is really karma, which I call give to get, which is the more you give, the more you get. It just works. For young people that's the first mentoring thing I say is like, "Find people who you can offer to do something for, and don't expect anything in return. It'll come back to you. It won't work every, it pays off. But give to get."

But then the other thing is, as you share and teach, you learn, because you internalize. It's like, as you write a book, you finally crystallize all of your thoughts. You realize, "Okay, this was weak and I need to understand it," or "This was wrong. I thought this, but this isn't right at all," right? Because I actually had to write it down, I said "Well, this does not make any sense."

But it's that self-criticism and self-reflection that is a positive externality of teaching other people. And then the other thing, which I think a lot about, which is teaching doesn't scale. It still takes four people to do a string quartet, and by the way, chamber music, right? So you, 25 years old, you're on the board of a chamber music company. It's like, "That's not normal! That's not normal at all!" You were precocious. You were not a normal kid or 25 years old, not a kid.

But it's sort of like you were not doing normal things. Chamber music? On the board? Meet the guy from Control Data? Start talking about investing and pensions? The other thing I love about your story, which is fantastic, which is everybody's life is one thing led to another. "I met so and so, he was a rug dealer from Karachi and then he had a friend who was in motorcycles, and then I got involved in distribution of parts for them," and your sort of path is just sort of fascinating.

But then the other thing with you, which I love, which is you just picked up and moved to Stamford, right? You just said, "I'm moving to Connecticut," right? There's a certain bravery in that. I'm going to start my life over, I'm going to go for it. Or I love your college thing, which is like, "Oh, I got onto all these places, I could have gone to Cal-Berkeley, but I'm going to go to UC Santa Barbara," or San Diego? I forget which one you did.

Jim: [00:30:26](#) San Diego, UCSD.

Tren: [00:30:28](#) Okay yeah, because it's got a great beach and fabulous parties and the girls are [inaudible 00:30:34] like "Wow! And then you go to three other places before you graduate because you can't help yourself, you're so curious. It's like, "Okay, I got the San Diego thing done. Now I'm going to move to another school, and then I met this girl, and then I met a drug dealer from Karachi and he was an arms dealer, got kidnapped up by terrorists," and then that's your story. That's your life, which is amazing. Everybody has a life like that, right? It's great. You did fun.

Jim: [00:31:02](#) It is fun and that's what I love about you. Your infectious enthusiasm for life is just so fantastic and it's like Charles, the Post Office author, Charles Bukowski... I'm getting his name wrong, but he's got that, when you meet a free soul, you know it. You feel it, you just feel good, and that's what I feel like when I talk to you, and it's just like you just know it because it's like "Burn the ships." That's kind of my philosophy. It always has been. Now my wife is very, very understanding and she asked me for one thing.

Tren: [00:31:46](#) She's a saint.

Jim: [00:31:48](#) She is a saint, she's a saint.

Tren: [00:31:50](#) Literally.

Jim: [00:31:55](#) My first book, right? I came back from my walk and I said, "I've discovered what I've got to do. I've got to write a book." This was 1993 and she's like, "Okay, but you do need a publisher for that." I said, "I'll get a publisher."

"Well, no one really kind of knows who you are." I'm like, "I think they'll love the idea." And this was my first book, Invest Like the Best, which taught you how to clone your favorite money manager using quantitative techniques, right? Which is, by the way, if you want to see kind of radical thought, my first book, Invest Like the Best, is the real radical because it's basically saying, "Hey, you love that guy over there? I can clone him for you."

And guess what? Because human beings fuck up all the time, and we're just going to apply his rules without any emotion, what happens is what we saw happen. All of the clones that I did for Control Data as a consultant killed the manager they were cloning, and that was my kind of aha moment with Pogo, right? "We've met the enemy and it's us"? And I think the

difference with me, and I sense this very much in you, is I was like, "Okay."

I obviously have the same problem and so how am I going to solve it? And my solution was to put the guard rails real close around myself because Tren, I would start an Internet company after writing a really bearish article about the Internet.

Tren: [00:33:33](#) That's right. You know what it reminds me of? It reminds me of Buffet's joke about the oil prospector.

Jim: [00:33:38](#) I love that joke. Tell it.

Tren: [00:33:39](#) Right? It's just too long, but basically oil prospector goes to heaven. It's full because there's too many oil prospectors and the prospector says, "Well, let me say four words," and St. Paul says, "Okay." And the prospector yells out, "Oil discovered in hell" and the prospectors come pouring out of the pearly gates and on their way down to hell, and they're just flooding down there. And they say, "Oh, gee, this is great. Lots of room in heaven now. Come on in."

And the prospector says, "Oh no. No, there may be some truth to that rumor. I'm going to hell, too." Right? And that's you. That's you starting Netfolio and what people don't understand is how powerful the FOMO was. It was unbelievable and people were getting rich so fast, it was just so fabulous. And one of my realizations, because I actually started selling stock right about when you started Netfolio, because Munger sort of taught me that I should maybe take a little off the table, like half.

But I didn't sell it all because FOMO, right? What if I was wrong? It's like that story about Markowitz or somebody asked him, "How do you do your own portfolio?" And he said, "Well, 50-50 because I don't want to have regret. I want to minimize regret." So that's sort of what I did on Munger's advice, but the important thing is, FOMO was so powerful, it was so powerful.

Jim: [00:35:16](#) Unbelievable.

Tren: [00:35:17](#) Yeah, and there are bubbles that have happened since then, but it's like Bill Bernstein said in a recent interview, "That was the bubble in our lifetime. That was the bubble of bubbles." And it was powerful.

Jim: [00:35:30](#) It truly was.

Tren: [00:35:31](#) And unless you were there people say, "Oh, I read about it. I read an article about it, so I know all about it." If you ain't there, you don't have that muscle memory, it was nuts. I remember looking around saying, "People can't be this rich." Because I was in Seattle, right, and I was not in the epicenter of San Francisco but I was pretty close and it's like, "You can't be that rich. That's not normal." And it wasn't normal and it ended, but it ended fast.

But I want to get to something before we run out of time. You were sort of super interesting, because we have this friend, Michael Mauboussin, who's our mutual friend.

Jim: [00:36:08](#) Mm-hmm (affirmative), very smart man. Very smart guy.

Tren: [00:36:13](#) Yeah, I adore him, but both of you say, "I'm lazy," which is completely nuts. You're both the hardest-working people I know. The work he's put out, the stuff you've done. O'Shaughnessy says, "Yeah, I'm kind of lazy." No! That's just completely insane. You aren't lazy. You're working all the time.

Jim: [00:36:31](#) You're going to blow my cover here, Tren.

Tren: [00:36:33](#) You aren't lazy. Bob would say, "Yeah, you work so hard, Tren, but I'm just kind of lazy." Like, come on! The guy's read five zillion books. You've read five zillion books. You've got all these projects. You're writing things. You're on Twitter, you're all over the place. You've got a podcast and you say, "Oh, Tren, I'm kind of lazy." But the thing is, you aren't lazy. It's like me. You're looking for a simple Occam's Razor way of living your life and when you're systems thinking, you're trying to simplify things.

And that's what you really mean by lazy. I don't want some complicated thing that produces no value. I want a simple system that I can apply and that's your definition of lazy, so you shouldn't say lazy. Sort of like, I like simple explanations and systems, right? But it's hysterical to hear you say that.

Jim: [00:37:26](#) Thank you, but lazy works so well. But you're absolutely right. Look, I'm trying to figure out and I'm probably way off base on most stuff, I'm trying to figure out, okay what is, to use your term, Occam's Razor? William of Occam was a Franciscan friar back in the 14th century who came up with the principle of parsimony, which is "If you've got a bunch of competing solutions, the one that is the simplest is the right one."

And so it's guided science for centuries. It's a very useful razor and so yeah, I try to kind of get things down to "Okay, so what's the simplest thing here that might cover the eventualities and then let's go do that thing. And let's have fun and let's be all in." And for me, again, I see this reflected in you. I just love this idea that 1994... And I love the way you put it, too. It was, what did you say? The perfect year or the-

Tren: [00:38:39](#) It was the miracle year.

Jim: [00:38:40](#) Miracle year, I love that. I love that because what a great way to think because it was. My miracle year was getting What Works on Wall Street published, right? And money came over the transom. We raised nearly \$600 million without one single outgoing call. Literally it was them calling us because it was new and it was different. And so I think the other thing that you and I share, which is critical in my opinion, is you're going to break a lot of stuff, you're going to fail and how you interpret that is going to make or break you, in my opinion.

So I think we both look at failure in the same way, which is "Wow! Look at how much we get to learn from what happened here," right? And I just think that it's an unusual characteristic to have innately and I don't know. What's your opinion? Do you think you can teach that?

Tren: [00:39:45](#) I think you can teach it by example. The example I use which is most current, most recently, which is the way SpaceX is developing its latest Starship is like writing a book in public and showing your drafts. And the key thing is, you must be brave about failing in public. Now a lot of people have probably some amazing journals that should be published, but they'll never show them to anybody because they're afraid, "What if someone doesn't like it?"

The thing you have to understand is, if you write a book, it's guaranteed that people aren't going to like it. If you post on Twitter, it is guaranteed that people are not going to like what you say. I had someone say to me the other day, it's like, "I can't believe you said that on Twitter!" It's like, "I can't believe you actually said that out loud. What if people disagreed with you?" It's like, "Well, that's cool. We can have a discussion."

Jim: [00:40:48](#) Exactly.

Tren: [00:40:49](#) As long as it's about ideas and not some criticism of some person, it's like party on. Game on, let's go! But it requires a



certain bravery about that, because when you're trying to hone a knife edge, you've got to expose it to some friction, and [inaudible 00:41:09] a smart person. That's why people like you or my friends like Bill Gourlay or Mauboussin, you're on a list of people. I love to talk with them because, like my last conversation with Michael, I had it, we talked for about 45 minutes on my global phone. I'll think about that conversation for weeks, right?

Something he said. I'll say, "Okay, applies here and there," and in your mind, or at least in mine, I think everybody has this, is you've got this process going on in the back of your mind. You're not thinking about it and that's oftentimes why I read something I put it down because I know it's a process, it's back processing in there. There's shit going on, you're thinking it through, but anyway, a great conversation person like that, you got new ideas, you got to think it through so you think about it this way.

He's got a good perspective. He taught me to look at this, read this paper. I usually have at least four papers that he sends me or we talk about that I have to go and read and but it's that process where you meet that great mind who is free and open and willing to learn, and willing to change their ideas, that you just say, "Oh God! I want to talk to that person again and soon, but I hope I'm not bugging him. I don't want to bother him," because I want to be polite.

It's like with my friend Bill Gourlay, too, over the years. I met them both in my miracle year. Now going back to miracle year, let me shift gears completely. This is the Munger idea about Lollapalooza, which is sometimes in your life or your business or your writing or whatever, everything's in alignment. The forces are there. The Internet was created. Suddenly you could do it in business. It's like everything aligns and there's this moment.

And this is this Munger point about you have to be patient and yet aggressive when the time is right. And so when you think the time is right, you buy a lot of Alibaba. Whatever the thing is, but you have to say, "I'm going to start my business now." It's sort of like with Bill Gates. When he was at Harvard and they saw the magazine in Harvard Square, it was January, February they wrote the letter to Altair, and it was like drop out of school then or forget about it, right?

Somebody else would have written Basic, somebody else would have eventually been asked to do the operating system, but he had to do it right then. He couldn't say, "I'm going to wait until I

finish Harvard," or "I'm going to ..." You got to do it now! You're in this great job and then this [inaudible 00:43:43] is going on and you're saying, "Well gee, I got this project I'm working on" or "This is risky" or "This is my first child."

There are moments in time that you got to pick up the flag and charge the hill and do this big thing, and you can't wait because there'll never be a Lollapalooza like that. But sometimes you're wrong. You think there's a Lollapalooza and you end up on somebody's pike or whatever, but the point here is that why not? If you end up on somebody's pike, it's a good story. It's like Netfolio. It's great! It was fun! Tell us more about Netfolio.

Jim: [00:44:33](#) I actually have a patent on it and the patent reads "For a system and method for selecting and purchasing stocks via a global computer network."

Tren: [00:44:48](#) That's pretty good. That's nice and broad. A lot of people would read on that bet.

Jim: [00:44:51](#) Very broad! So my lawyer told me, and like you, my lawyer was very conservative. He's like, "You'll never get that patent." And I'm like, "I'm going to get the patent," and he goes, "No, you're not. You're not going to get the patent." And I said, "Okay, you know what? Just point me at the best patent attorney. I know it's not you and I know you don't believe in this, but just give me the best one you got."

So he did and we got it, and so I wrote the piece that you said, The Internet Contrarian, in April 1999 and in it I say, "This is the biggest bubble any of us are probably ever going to see in our lifetimes." So I'm what? 39 at the time, right, and everyone, even the winners and this is the important part of that piece, even the people that go on to win are going to go down 95% from their current price. That's exactly what happened.

Amazon went... It wasn't 95%, it was 92%, but it went down 92% and then I got the bright idea, "You know what? The Internet really can transform our business. It can transform it and it can transform it by letting people have personal funds as opposed to mutual funds and they can kick out companies they don't like." Now we call that ESG, right? So if they're anti-smoking, they kick out Phillip Morris and up comes the next stock on the list.

The differences were, all of our strategies that we were offering at that time were active, not passive. The second difference

was, we were B2C, which was a really foolish thing for me to do and yet the funding exploded, as you know from our other talks with each other, to a point where I was going, "Oh, this is just too fucking crazy." And then the piece de resistance was February 2000. I received a ridiculous bid from an established Wall Street firm whose idea was, they were so late to the Internet that owning part of Netfolio would make them early because it would get them on to where the Internet was going, not where it had been.

Go to my board, which is made up of venture capitalists, people who wanted 10X investments, and my entire board looks at me and this is speaking to your point about "You don't understand what FOMO was until you lived through this."

My entire board looked at me like I had three heads. They were like, "Jim, are you out of your fucking mind? You're going to marry Netfolio to a ..." Remember? "Bricks and mortar dinosaur?" Because the thinking back then, as crazy as it was, was bricks and mortar was dead. It just didn't have a future. Everything was going to be online.

- Tren: [00:48:30](#) A friend of mine said banks are dinosaurs, famously.
- Jim: [00:48:34](#) Exactly.
- Tren: [00:48:34](#) Initials BG.
- Jim: [00:49:13](#) All of the things up till that point in my life had made sense, right? It's like when you look at a stock model for the most part, does it make sense? I mean, does it make sense? I mean, does it make sense that a big free cash flow that pretty much has a huge moat around it, might be a pretty good investment? Yeah, that makes a lot of sense.
- That period didn't make any sense at all. Everything was, wrong was right, legacy was dead, And then of course, Jack Willoughby at Barron's... Have you ever met Jack?
- Tren: [00:50:35](#) I have not, but I remember the article.
- Jim: [00:50:37](#) Well, so he's an amazing guy. In other words, he's incredibly smart. He's incredibly smart.
- Tren: [00:50:48](#) That's also basic. It's a simple thing, like "Hey, there ain't enough cash."

Jim: [00:50:52](#) Exactly.

Tren: [00:50:54](#) It's like Buffet's quote about "Cash is like oxygen. You don't think about it, but then when you need it, it's the only thing you think about," and there wasn't any cash, and it just disappeared. Telecom bubble ended the same way.

Jim: [00:51:07](#) Same way.

Tren: [00:51:08](#) You couldn't get any more pipes done and the cash was gone.

Jim: [00:51:11](#) Because what happened was, somebody said "The Emperor is naked," and everyone who had been hypnotized, because I kind of think that's a version of what happened to a lot of us. We were hypnotized by that FOMO and by that belief structure, and then a guy comes along and like, "Hm, I wonder what would happen if we just looked at the burn rate on all these companies and when they're going to die," and he writes it. It was originally called Burn Rate. They renamed it since then, so if you're searching... I'll try to find it and put it in the show notes.

Tren: [00:51:46](#) Oh, I know exactly. I've got it quoted in one of my blog posts.

Jim: [00:51:50](#) Yeah, I know. I know you do.

Tren: [00:51:52](#) But the interesting thing about that is, what my friend Bill Gates talks about with the pandemic and in general, is that these things work in both directions. Exponentials work on the way up with the pandemic and they'll work on the way down, right? But the information cascade that caused the Internet bubble, it turned on a dime. The telecom bubble, which ended almost a year later, there was the day in January when... It wasn't we. So people in our organization that I won't name turned down some debt, \$3 billion in debt, because it was four basis points too high, right?

So with a phone call we could erase billions of dollars, okay? Less than three weeks later, you couldn't raise a nickel. There was no money available and Teddy [Horsman 00:52:48] was completely waylaid. The pipes weren't flowing, the financial pipes, and it just turned on a dime. But that's the deal when you have this feedback effect. As you know, in an information cascade, when it stops, it stops and it doesn't just slowly go down. It's the Hemingway quote, right?

Jim: [00:53:14](#) Gradually and suddenly.

Tren: [00:53:15](#) Yeah, exactly. It's so perceptive but it's so true, but it's hard when you're in the middle of it. It's like [Konnaman 00:53:22] saying, "I've been studying these things for however many decades, and I still have overconfidence about when I'm going to get my paper done or my book done or whatever." Like, "I study this stuff. It's my life, and I still fall bias to it." And so you write The Internet Contrarian and then start a damn Internet company. It's like, "This is great!" It's like if you told this story to somebody like, I don't know, in the '80s or something they would say, "That could never happen."

Jim: [00:53:15](#) True, it could never happen.

Tren: [00:53:51](#) It's like, "This is terrible fiction. This is making things up." And it's like someone last night on Twitter was like, "It's like wait a minute. Market Watch went public?" Yeah, they went public '99. CBS said MarketWatch, the website, that actually went public. It was like a triple at the Open, MarketWatch! Like come on. You can't make this up. Younger people are saying, "Oh no, MarketWatch couldn't have gone public." Yeah, it went public. This is damn fucked up. It was nuts!

Jim: [00:54:33](#) So true.

Tren: [00:54:36](#) Let me tell you this one. I went out to lunch one time and before I went I checked the stock prices in this one portfolio that we had, and then I came back after lunch and I was a lot wealthier in an hour. It's like, "This is just crazy!" Okay, that's good. The bad news is there was another time like that where I went to lunch and like shit, I was down that much, in an hour! It works both ways! It's elevator up, elevator down. It's fast, like Whoa! And to have lived through that and then think about it, and then someone's looking at you saying, "Well MarketWatch, it went public?" Like "Yeah!" It's just great!

Tren: [00:56:21](#) Despite you, but the other thing that I want to talk to you about is that great entrepreneurs and [inaudible 00:56:31] like Bill Gates, Craig McCaw, other people, and I asked Craig McCaw this question three days ago sort of like, "How did you balance yourself out?" For every Elon Musk there's a Gwynne Shotwell. For Craig there was John Stanton and a number of other people who helped him. Bill Gates had Jon Shirley, Frank Gaudette, a number of people.

But some people seem to have a knack for collecting people around them who make them better, who do those things that you can't do, and this is the hard thing, which is judgment is very hard to teach. I think some people come out of the chute,

as I said earlier, and they just have good judgment, and some people go through all these negative experiences and they just don't learn. It's just stunning and so this combination of having innate judgment but then also this ability to sort of surround yourself with people, because I heard you say once you've got four people who you've relied on over the years to make you better. Wrong word for it, but-

Jim: [00:57:42](#)

Yeah, no. No, absolutely.

Tren: [00:57:44](#)

But how did you know that? Or did you just fall into it?

Jim: [00:57:48](#)

So again, I mean, this is such an interesting question because I don't know how much of this is innate and genetic and how much of it is learned. So I never had a huge problem standing outside myself and saying, "Man, you are so crap at that. You've got to get somebody who's not crap at that or you're not going to make it. You're going to fail because it's an important part." And I'm not going to name names and functions, but I'm really bad at a lot of things, honestly.

I'm so bad at it that if I tried, I'm going to subtract from it, but I never had a problem of simply saying, "That's true, and so I'm going to need a person who is really good at people's birthdays and asking about the kids and keeping track of lists and things, because I'm not that person." I'm just not, and it's not because I don't like people or they're not my friends. They are, I love people.

I love people, but my talent and skill set is not that and so there are lots of examples of that, right? My personality is, "Think about it, think about it, think about it, jump in!" Right? All in, and I also needed people to go, "Whoa! Whoa, Jim, you crazy motherfucker. Will you sit down with me please and can we have a conversation for a couple hours about ..." And then they'd list all of the objections. That was really helpful because, like you said, I hadn't thought about all those objections and then you and I share another belief. I believe that you've got to write it out because if you don't write it out, you don't know if you're wrong.

Tren: [01:00:08](#)

You've thought it through.

Jim: [01:00:10](#)

Exactly. You know instantly if you are wrong when you're writing it and you're looking at it, and you go "Oh shit! I have no idea what I'm doing" right?

Tren: [01:00:21](#) Or there's a big hole. There's a big hole here.

Jim: [01:00:25](#) Yeah, and that also comes to maybe why both of us like teaching. The teacher learns as much as the student, in my opinion.

Tren: [01:00:33](#) Or more.

Jim: [01:00:34](#) Or more, that's right, because A, you got to write it out and "Okay, I think I understand this." But then you start with the student and the student thinks of all the questions that you didn't think of, and they ask you those questions, and you're like, "Huh! That's really interesting." And so my answer is, this is the other thing that I just don't understand with people. I am very, very happy to say, "I don't know."

I mean, I think saying "I don't know" and why, if you want to have a really interesting life, be useful. Be useful, you got to be useful. I mean, I mentor a lot of younger people and they always say to me, "Jim, I'm developing my brand." I'm like, "Fuck that, man. Be useful. Help people with what they need help with," right? "And be authentic. Be yourself. There's your brand." And it's not their fault, I don't think, kids, because we didn't grow up like this. We didn't grow up with the eyes of the world on us at all times, right? Can you imagine?

Tren: [01:01:51](#) I was just turned loose in the morning.

Jim: [01:01:53](#) Me, too! Me, too, and so we've got to acknowledge that these kids are being scrutinized, observed, et cetera, a lot more than we were. Let's just be honest about that, and you are the one who introduced the term "courage" to me and I really like that because it is something that I hadn't thought myself, but the more I thought about that, I actually have a whole list of notes that I didn't bring because I knew we were going to be talking about different things today.

That's for our third podcast, because what I love about that is, it is back to Occam's Razor, right? Courage, okay, that is a wonderful sorting hat if you're a Harry Potter fan, right? Who has courage and who may be really smart but doesn't have courage? If you absent courage, and Wizard of Oz, right, who has the most courage? The guy who thought he had the least, the Lion, right?

Tren: [01:03:00](#) Venn diagram.

Jim: [01:03:01](#) Yeah, and so the point I guess is, go all in, burn the ships. Sometimes you're going to be stuck on an island you don't want to be stuck on, but there's always a ship out there that's going to pick you up and if you make a bonfire big enough, right?

Tren: [01:03:23](#) God, the biggest one going on right now is Elon Musk with StarLink. He's throwing up 120 satellites a month, he's totally all in, he's throwing them up. He's got network to figure out and all that, but he's burned his boats and that's how you get to Mars. And he's got this wonderful partner, this woman Gwynne, who's running the business, right? He's building shit and getting things done, but also just all in, "I'm going to do this." And it is these people, you'll know, who said "All progress depends on the unreasonable person"?

Jim: [01:04:07](#) Oh, okay, so I thought you were going to drop the Max Planck quote on me, which is "Progress happens one funeral at a time."

Tren: [01:04:13](#) So, that's another one. That's like Bertrand Russell or somebody.

Jim: [01:04:13](#) No, no, no, George Bernard Shaw.

Tren: [01:04:19](#) Okay, there we go. Yeah, that's right, right. But the person who's unreasonable, who says "Well of course we can do this," and everyone is saying, "Well, you can't do that." It's like when I watch one of those rockets or a stage of a rocket at this point, land, it's like I want to watch that again! That's nuts! The software to do that, the systems. What's cool about space, which I've been involved in a business, every system is simple. You've got software, you got hardware, you got chemicals, you got metallurgy, you got electrical engineering.

All these things, everything has to be in single point failure, and this thing lands and the next thing, which is just great, which is, it's going to catch it with the robotic arm so he doesn't have to put legs on it. It's like, "Wow! Wow!"

Jim: [01:05:05](#) I couldn't agree more.

Tren: [01:05:06](#) And he's trying to get to \$10 a kilogram to the moon, or \$20 or something like that. Right now just to LEO it's \$2,500 a kilogram and it's like, you just look at it and say, "We need people like that who are in the tail, who are willing to say 'I don't care what you think. I don't care if this electronic car thing, or this ...'" You can start Tesla but he's the guy who said, "We can do this." And



then what happens is, he has acolytes, right? Zero cost of capital, guy's all in.

Munger says sometimes these guys who are basically non-traditional thinkers, they hit it out of the park. It's not going to be every time but we need these people to do these great things, and so watching people like that operate over the years has caused me to realize that some of it, these people are innate. They have good judgment, a couple of things but also they just don't care and they have courage and are brave about their idea, and they go all in.

And so that's why I say you and your neighbor Cliff and other people who start businesses, it's like "Yeah." Heroes to me because you just did the crazy thing and it's crazy people who drive the world forward. You can't have everybody crazy. A world full of all Elon Musks wouldn't work, right?

Jim: [01:06:41](#)

No, no.

Tren: [01:06:42](#)

But you need to have a few people and I don't exactly know what few is, but then also in the arts or whatever, you got to have somebody who... I know you love art. Somebody who just breaks everybody's convention that comes before.

Jim: [01:07:03](#)

Oh, absolutely.

Tren: [01:07:04](#)

I just think it's fabulous, and if you look at art that way, then you start to say, "Well, okay, in other disciplines somebody's doing that with writing or ..." I've only watched part of the Ken Burns thing on Hemingway.

Jim: [01:07:18](#)

Oh, man, it's great! You'll love it. It's fabulous.

Tren: [01:07:23](#)

I've only watched one.

Jim: [01:07:24](#)

Watch the other two.

Tren: [01:07:27](#)

Yeah, somebody who comes and just breaks the eggs and says, "No, I'm going to do it this way." And then in investing it's that person who has that variant perception, somebody who really knows a secret and they're going to go for it and try and do it. and so anyway, I admire the business you built. I admire anybody who builds a business. That's what's so sad about the pandemic, which is, I admire the pizza restaurant around the corner down here, [crosstalk 01:07:58] Café.

I admire the little bakery that's there. These people, in my view, are heroes. They're brave. "Here's my sourdough donuts. Here they are." And someone writes an article in the local paper, "Oh, these are terrible donuts." It wasn't, it was like, "These are fabulous." But someone could have written that. That takes courage and when somebody fails, it's like somebody who's never written a book writes a bad review of somebody else's book.

Like "What the fuck! What do you know about writing a book? Try writing a book, then write a review. You go ahead, write a book." Knocks writing a book, it makes no sense. It's like running a marathon. I've run a bunch of marathons and after every one, you should say, "Hell, if I'm doing that again," right?

Jim: [01:08:46](#)

Right.

Tren: [01:08:48](#)

It's like women are so brave, to have one child and then it's like they do it again! It's like, "Whoa! That's [crosstalk 01:08:56]

Jim: [01:08:55](#)

My Mom used to say, "If the woman had the first child and the man had the second, and the woman had the third, there'd be three children in every family."

Tren: [01:09:06](#)

Yeah, exactly, but there's just a bravery in that. There's a certain amnesia in the truly brave because a lot of people, they were 30-year overnight sensations. They failed it, failed it, failed it, failed and there's some people who just hit it out of the park in the beginning, and there are some people like Michael Mauboussin that just keep smacking the ball every time out of the-

Jim: [01:09:36](#)

What a slugger.

Tren: [01:09:38](#)

Yeah, God! His slugging percentage is amazing, but the big sort of takeaway is, you learn it as a parent, I'm sure you know this, which is we're all different. You can have the same parents combining DNA and two people are not going to be the same, sort of like when I went to nursery school the first time as a sort of helper. You're looking around this classroom and like, "I can't believe these people are all from the same race."

Athletic ability, intelligence, [inaudible 01:10:10] attention, artistic skills. You're just going, "How does the teacher keep a handle on this? There's so many different kids here. They're all different. This is nuts!" It's like this teacher deserves a Nobel Prize for keeping this class halfway in order. It's like, we're all

different, we're all different. We're all flawed creatures and wonderful creatures, too. We're all wonderful in our own way.

Jim: [01:10:35](#) And that's the beauty of life, right? I think that if I've learned anything, it's that what you just said is absolutely true. I'm by my nature a very optimistic person, so I re-read David Deutsch's *The Beginning of Infinity*, and I realized when I first read it, when it came out in '12 or '13, I can't remember what year, that's when I started calling myself a rational optimist, right, because if you don't read the entire book, at least read his section on pessimism versus optimism.

And he's just so brilliant and Munger would love this guy because he builds this scaffolding of ideas, a foundation, right? And only after he's built this foundation can he go on to teach. This is why I love this book and this author. It's like, "Oh, yeah. I never thought about it that way," so he's really, really good at it, but my point is, all shapes and sizes. There's no right shape or size.

Tren: [01:11:52](#) And some of it is innate.

Jim: [01:11:53](#) Everyone is different. [crosstalk 01:11:55] Yeah, that's right.

Tren: [01:11:55](#) Some of it is innate, like Munger, let's be a McKinsey on this and create a matrix, right? Munger says he is a cheerful pessimist, right, so you can fill in those boxes. You're a rational optimist. Now, he's also rational so you could go three-dimensional, but McKinsey, they're going to listen to this podcast and they're going to create a matrix and they'll sell it to all their clients, and you and I are going to get no credit. Consultants love them, a matrix, right?

Jim: [01:12:26](#) They love it.

Tren: [01:12:31](#) I mean, you could resell that thing. The clients love it, too. "Oh, it's right there! [crosstalk 01:12:37] We could have got it all from this podcast. Infinite Loops was the place to learn this at the source."

Tren: [01:13:01](#) But it's like billionaires and other important people, they send their kids to me and we walk around Seattle for an afternoon or a whole day, and I tell them all the things that their parents have been telling them all their lives. And they go back to their parents and they say, "Wow! This is amazing, great ideas." And I say, "You taught me this." It's like the only difference is I'm from

out of town, and maybe I say it in a different way or something like that.

But it's hard with your parents sometimes. It's hard because I think kids are programmed when they're 17, 18, to basically reject their parents so they can basically leave and go off to another clan or something like that enough times so we propagate as a species. But occasionally if you're patient, the kids will come back and when they're in their 20s or in their 30s, they'll come back to you and say, "Oh Dad, you weren't so stupid after all." But they don't really admit that for a while that they were... anyway.

Jim: [01:14:03](#) It's very hard. [crosstalk 01:14:05]

Tren: [01:14:05](#) The out of town thing.

Jim: [01:14:08](#) That is so true. It's like one of my kids... I'm so super lucky. I thank God every day for it and I'm being serious. Every day and every night I start the day and end the day with the same thing. Thank you, thank you. I won the cosmic lottery. Anyone who's alive today is the result of millions of years of success, not one failure. Why? Because you wouldn't be here if your line ended, right?

Tren: [01:14:39](#) That's right.

Jim: [01:14:40](#) So we are all winners of the cosmic lottery and then people are always, "Yeah, well, what about the guy in Bangladesh?" Well, you know what? I'm invested in a fund run by a very smart young man called Dan McMurtrie and he's empowering that guy in Bangladesh and they're doing new things, too, so don't immediately seek out the negative because guess what? You'll find it, right? You find what you're looking for and that's a whole different subject, which is fun. But the point about being from a different town, it's like you remember the old line, "No man is a hero to his valet"?

Tren: [01:15:19](#) Yeah, exactly.

Tren: [01:15:56](#) There's a great story about Steve Jobs. So I have this friend who was very close to him, worked for him for years and years and he'd go into Steve and say "X". And Steve would say, "That's the stupidest goddam idea ever heard." And then he would regularly go into see Steve and say "X" and Steve would say, "You're a moron. I can't believe you said that. Why are you bothering me with this nonsense?" And then years later he goes

into Steve, his office, and Steve says "I've been thinking about this. I think we should do X."

And my friend goes, "Steve, that's a great idea. That's a great idea." This is a totally true story. "Steve, that's a great idea." The last thing he should have said was, "I've been telling you that for six years." No, you don't do that. If you really want it to happen, because for me that's the test. I don't want the credit. I just want stuff to happen, right?

- Jim: [01:16:54](#) Harry Truman. Harry Truman, right? You can accomplish amazing things if you don't give a shit who gets credit.
- Tren: [01:17:01](#) Right, but also in this case, don't rub it in, don't try and take the credit. Just say, "Steve, that's brilliant. What a great idea."
- Jim: [01:17:07](#) Bingo.
- Tren: [01:17:15](#) Now let's talk about the Irish, so you tell good stories.
- Jim: [01:17:22](#) We do. So the Irish are pagan, that's what you need to understand. Irish are pagans who also have put a high degree of value on education, okay? In fact, there's a really great book called *The Island of Saints and Scholars: How Ireland Kept Knowledge Alive During the Dark Ages*. And it was all the manuscript writers, right?
- Jim: [01:18:54](#) And so that's part of it. [inaudible 01:19:00] is part of it. Random events happening to us are part of it, right? And I think that if you're open-minded and seek out interesting, fun things, stories- [silence]
- Tren: [01:19:36](#) Basically you get this really interesting stew, this really interesting soup, and you get these combinatorial advantages that come from having diversity. And Mauboussin's got this great stuff that he's written about the value of diversity, how you make better decisions, but it's also you just have the help of these different sources. And so there's this great, old Irish story, there's this legend from Lebanon, this African thing, and you combine it into a stew and diversity creates strengths.
- It's like America, we're all mutts. We're all combinations of all sorts of things, and God bless us for having all these different kinds of peoples and personalities, cultures, food and you put it all together and then you say, "Okay, but you want to run a company the same way?" Absolutely, right? You want to polish

ideas in the same way? Absolutely. And so I just think it's fabulous that we have this.

Now, what I wish today was different, which you talked a little bit about before, which is when I was 16, I said to my Mom... It was the summertime. I said, "Can I have the Country Squire station wagon? Scotty and I, my best friend, we're going to California for two weeks." And she said, "Oh, okay. I'll see you." Right? There were no cell phones and we just disappeared for two weeks in the station wagon, in one of those fake wood panel station wagons, drive down to [crosstalk 01:21:08]

Jim: [01:21:08](#) I had one.

Tren: [01:21:09](#) Yeah, for two weeks, a Country Squire, and you can go down there for two weeks and you come back, and then two weeks later we drive in the driveway. She goes, "Hi, how you doing?" It wasn't like, "You didn't call me, didn't know what you were doing. Where were you?" But there was that freedom to do things and make errors and make mistakes, and there's a range of stories during that trip that I wouldn't want to tell even though we have a liberal policy here at this podcast but the point was, we learned. We had freedom, and so I just wish there was a little more of that today.

Jim: [01:21:42](#) Me, too.

Tren: [01:21:43](#) The stakes seem so high for your grandchildren.

Jim: [01:21:46](#) Yeah, free range children, right? So Claude Shannon is one of my heroes. He invented bits and bytes. You know, I'm sure, Claude Shannon very well. The thing that I can't believe is that young people today for the most part, you say "Einstein."

"Oh yeah,  $e=mc^2$ ."

"Claude Shannon."

"Who are you talking about?" Right? And it's like there's a great movie on called The Bit Player and everything that we have today pretty much, what we're doing right now, this little beauty, all of it is Claude Shannon [crosstalk 01:22:22] and he was eccentric but he was a free range kid, right? He was able to walk down to the research library as a teenager with his paper spreadsheet and say, "I wonder why." Right?

And you were able to do that and I think you're absolutely right, it would be great if we could wave a wand. And now we're already deep in and so I want to get to my last question, but if we could wave a wand, and I think you and I would both agree that if we could just give these kids a little more breathing room, a little more ability to do what you did like, "Hey, Mom. I'm going to California for a couple of weeks. I'll see you when I get back." You can't even imagine that today, can you?

- Tren: [01:23:14](#) The people would call the child protective service on you.
- Jim: [01:23:16](#) They would, they would.
- Tren: [01:23:19](#) But it was character-building in growing up. It doesn't have to be quite that extreme, given the modern society, but having the freedom would be wonderful. All right, we got to get to your last question because I'm taking up all your time.
- Jim: [01:23:35](#) The last question is this. We're going to make you the Emperor of the World for a day. You can't kill anybody. You can't put anybody in a re-education camp, but what you can do is you can incept them. You can be an ear worm and they're going to wake up the next day thinking these two things were their own idea, right? And they're going to start doing them. If we were really going to try to make society better and people happier, what would be your two things?
- Tren: [01:24:08](#) So the number one thing would be this idea that I mentioned before, which is give to get.
- Jim: [01:24:08](#) Mm-hmm (affirmative), I love that.
- Tren: [01:24:12](#) Which is the world is not zero sum. The world is positive sum, and so by sharing, by teaching, by giving, you sort of accomplish so much, and it just makes the world a better place when you realize that if you give you will get, and you don't need to keep score or track. It will happen, right?

And then the other thing that I learned from my Mom. She and Bill Gates's Mom were friends. They raised money for charity when I was a kid and they had this thing called the Penny Drive for Children's Hospital, and they raised a lot of money and they were the organizers of the troops. They'd get everybody out going door to door, but even when I was young, I watched them. And I think being charitable, like your grandfather, is a more learned skill than people imagine. Giving feels good.

Jim: [01:25:15](#) It does.

Tren: [01:25:16](#) It feels good to help other people. Hunger-based charities are a big thing for me. Every year I raise money in the fall for hunger-based charities, but I think it's a learned activity and it's something you can teach people. Making charitable donations, giving to other people, you don't have to do it because it'll help them. It just makes you feel fabulous. It feels good.

They're both about giving. One is about even when you give to a community effort or to [inaudible 01:25:49] or something, it will come back to you. And then the other thing is, just giving in its own sense is beautiful because it feels good. But some people, they weren't raised in that tradition. They were very poor, they didn't have any money. The idea of giving stuff away was anathema, right? It's tough, dog eat dog. No, giving feels good.

Munger has this great story. Sometimes this old coot got a lot of money and they give away some money because they want to show how rich they are, and then they do it and they say, "Hey, that felt pretty good!" This is what I've been saying and so I think it's a learned skill, so teaching to give in both cases, I would do that.

Jim: [01:26:31](#) Fantastic. The world would be a much better place, my friend. Listen, I so look forward to these things, Tren. I love talking with you. You are a free spirit and you know when you're in the presence of one. It just feels better.