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*(These notes are to the best of my recollection and trusty ink pen. Discrepancies are due to my error in understanding & transcribing.)*

**Robert Hagstrom, Legg Mason – 'Investing: The Last Liberal Art'**

*Robert is an author and Portfolio Manager for Legg Mason.*

* Noted Munger's 2007 USC commencement speech
  + Attempted to diagram the liberal arts of investing

Physics

Biology

Psychology

Philosophy

Sociology

Mathematics

Physics

Decision Making

* Isaac Newton
  + Wrote Principia Mathematica
  + People latched onto physics model for how things work
  + Chesterton wrote ..."nearly reasonable, but not quite..." (like EMT)
* Markets more like Biology than Physics
  + Learns and adapts
  + No stable mean
  + Non equilibrium system
  + Recommended book 'Origin of Wealth' Eric Beinhocker
* Need paradigm shift in economic thinking
  + Alfred Marshall gave the biology analogy in the 1920's
  + Thomas Kuhn 'Structure of Scientific Revolution' (old model resists the new)
* Ludwig Wittgenstein
  + Not a straight line & changes constantly

BUST

BOOM

* The meaning of a word is its use in the language
* Description of Amazon
  + Barnes & Noble wrong....
  + Wal Mart model wrong....
  + Dell model closer....
    - Amazon is the *second largest* cloud space provider
    - Potential new *BIG* business
* "Failure to explain is caused by failure to describe" -Mandelbrot

* 'How to Read a Book' Mortimer Adler (cannot read everything, pare down)
  + Inspectional (taste)
  + Systematical (skim)
  + Analytical
  + Synoptical
* Risk tolerance (must get it indirectly because people cannot describe themselves accurately)
  + Gender
  + Age
  + Achievement motivation
  + Personal control orientation
  + How you view the risk environment
    - Complex
    - Trustworthy
    - Fear of Loss
    - Inability to persuade
* Math (beware of averages)
  + Little thought to variables
  + Trend *of* the system vs. trend *in* the system
  + Data is non stationary
* 'Rethinking Undergraduate Business Education' Aspen Institute
  + Catching up with Munger
* Q&A
  + Paradigm Shift?
    - Physics model to Biology model
  1. 70's/80's Inflation comparison?
     + Businesses had better pricing power then vs. now
     + More global now