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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