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"Stay hungry, stay foolish"

While bedridden with the flu, I finished Walter Isaacson's new biography on Steve Jobs. (*Steve Jobs*, Little, Brown 2011). It was the rare kind of delightful book that stirs up and then re-orders previous misconceptions and ideas. But it was also rare in that I didn't want it to end. In vivid prose that only Isaacson can do (I also recommend his biography on Einstein), he dissected the man and the myth in a critical way that was too real for a contemporary whose only knowledge on the subject was the cumulative irrelevant and ignorant musings that came from the press over many years. Beyond the man, the book is also an outstanding reference on the history of the personal computer and in many other ways, a fascinating insider's look at the workings of the modern American listed corporation.

Imperfect, as we all may be, Steve Jobs was a man whose conviction resonates with much of what I also believe to be right. Speaking about Zune, the failed music device made by Microsoft, he spared no words but went straight to the heart of the matter:

> The older I get, the more I see how much motivations matter. The Zune was crappy because the people at Microsoft don't really love music or art the way we do. We won because we personally love music. We made the iPod for ourselves, and when you are doing something for yourself, or your best friend or family, you're not going to cheese out. If you don't love something, you are not going to go the extra mile, work the extra weekend, challenge the status quo as much. (p. 407)

Toward the end of the 600-page book, the author seeks to reflect on Jobs' legacy by quoting him in his own words. Here are some brief excerpts that reflect the man's understanding, passion, realism and love of substance. Jobs deeply understood the idea of enduring substance as against the culture of growth for the sake of growth or the destructive preoccupation with market-share:

> My passion has been to build an enduring company where people were motivated to make great products. Everything else was secondary. Sure, it was great to make a profit, because that was what allowed you to make great products. But the products, not the profits, were the motivation […] it's a subtle difference, but it ends up meaning everything: the people you hire, who gets promoted, what you discuss in meetings. (p. 567)

Jobs was obsessed with the product and the customer in a manner alien to the conventionalism of his peers. He understood the fundamental role of the customer as the ultimate judge of enduring success:

> Some people say, "Give the customers what they want." But that's not my approach. Our job is to figure out what they are going to want before they do. I think Henry Ford once said, "If I'd asked customers what they wanted, they would have told me, 'A faster horse!'" People don't know what they want until you show it to them. That's why I never rely on market research. Our task is to read things that are not yet on the page. (p. 567)

He was also understanding of the business world in which he lived. Unlike the vast majority of his peers, Jobs understood that value is not merely in things one can measure and that money is the *result* of doing something well—not the objective.

> I hate it when people call themselves "entrepreneurs" when what they're really trying to do is launch a startup and then sell or go public, so they can cash in and move on. They are unwilling to do the work it takes to build a real company, which is the hardest work in business. That's how you really make a contribution and add to the legacy of those who went before. You build a company that will stand for something a generation or two from now. That's what Walt Disney did, and Hewlett and Packard, and the people who built Intel. They created a company to last, not just to make money. (p. 569)

And finally, despite what seemed to be arrogance (mortals often confuse supreme self-confidence with arrogance), he was modest in seeing his contribu-

Wishing our readers a joyful and prosperous Christmas season and a happy new year tion in light of that of others:

> I think most creative people want to express appreciation for being able to take advantage of the work that's been done by others before us. I didn't invent the language of mathematics I use. I make little of my own food, none of my own clothes. Everything I do depends on other members of our species and the shoulders that we stand on. (p. 570)

Rest in peace, Mr. Jobs. We're staying hungry. (TD)

We read

"But over and above exchange rate chaos, floating rates have done serious damage to industry. Where to build a plant? We know the variables today, but what will they be next year? How to finance? Spot or floating contracts? These discussions may or may not lead to good decisions, but they certainly burn a lot of management time. [...]

"Administrations in the US may change, but the unholy alliance between Washington and Wall Street carries on—they too have a communal interest in more and more paper. In Europe for years senior French and German civil servants have gathered in pleasant chateaux to sip dusty claret and set policy for millions. Elected representatives have only faint voices and the people none. The media have generally acted like trained seals.

"But polls everywhere are saying people have had enough bureaucratic decision-making on their behalf. First the Icelanders (on two occasions) voted down their leaders' recommendation to accept an IMF proposal. The Finns (and now the Dutch) want pro rata collateral for hand-outs and a German Court recently said no more bailouts without parliamentary approval. Fat chance."

—The inimitable Murray Pollitt, writing in his 16 September 2011 letter to customers.

"In his classic 1977 work *The Gold[en] Constant*, Roy Jastrow [sic], a professor of business administration at the University of California (Berkeley), noted that Great Britain's wholesale price index, expressed as 100 in 1717, still stood at 100 in 1930. Separated from gold, the index then increased by 2,000 per cent in less than 50 years, when (you might say) money failed in lands of plenty."

—Neil Reynolds, The Globe and Mail, 25 October 2011. Read more: http://tinyurl.com/ej-reynolds

"I support sound money for two very good reasons. Firstly, it is a basic human right to choose to save, without our savings being debased by the tax of monetary inflation. Those who are worst affected by this inflation tax are not the rich, they benefit; but the poor and the barely well-off, which is why monetary inflation undermines society and why the right to sound money should be respected. If government gives itself a monopoly over money, it has a duty to protect the property rights vested in it.

"Secondly, it is a basic right for us to own our own money rather than have it owned by the banks. For them to take our money and expand credit on the back of it debases it. It is an abuse of an individual's property rights and a banking license is a government license to do so. If anyone else was to do this, they would be guilty of fraud. Banks should be custodians of our money, and it should not appear in their balance sheets as their property. [...]

"Sound money guarantees a stable yet progressive economy where people are truly equal. It allows people to save properly for their retirement so that they will not become a burden on the state. It leads to democracy voting for small governments. It encourages peaceful trade and discourages war. It is the only path, after this mess, that leads us to long-lasting and peaceful prosperity. We really need everyone to understand this for the sake of our future."

—Alasdair Macleod, excerpts from a speech given to the Committee for Monetary Research and Education, in New York on 20 October 2011. Read more: http://tinyurl.com/ej-macleod

"He who attempts to act and do things for others or for the world without deepening his own self-understanding, freedom, integrity and capacity to love will not have anything to give others. He will communicate to them nothing but the contagion of his own obsessions, his aggressiveness, his ego-centered ambitions, his delusions about ends and means, his doctrinaire prejudices and ideas."

—Thomas Merton, Contemplation in a World of Action *(Notre Dame Press, 1999), pp. 160-161.*

At the Q&A segment following a recent analyst meeting with the management of Yara International, someone asked: "… looking at your balance sheet, opens up a lot of opportunities. You only have a net debt of NOK 5 billion and a market capital of NOK 70 billion. What are your thoughts around a potential dividend or acquisition opportunities now that the market is more reasonably priced?"

Hallgeir Storvik, the company's CFO, answered: "Okay. What we normally say when we get this question which we have had over the past few quarters is that we have shown on our historical profitability that *we are able to handle our capital better than the average shareholder* which is proven by our record … the ambition is to make that continue. But we have also said that, if we should arrive at the situation where we do not think that we are able to fulfill those expectations, then we will be more than happy to pay cash to our shareholders, either in the form of dividends or in the form of share buybacks."

Emphasis ours.

"Numbers like billions and trillions tend to numb the mind. They are too large to grasp in any 'real' sense. Thirty years ago an older member of the NYSE (there were some then) gave me a graphic and memorable (at least for me) example. 'Young man,' he said, 'would you like a million dollars?' 'I sure would, sir!', I replied anxiously. 'Then just put aside $500 every week for the next 40 years.' I have never forgotten that a million dollars is enough to pay you $500 per week for 40 years (and that's without benefit of interest). To get a billion dollars you would have to set aside $500,000 dollars per week for 40 years. And a….. trillion that would require $500 million every week for 40 years. Even with these examples, the enormity is difficult to grasp.

"Let's take a different tack. To understand the incomprehensible scope of the German inflation maybe it's best to start with something basic….like a loaf of bread. (To keep things simple we'll substitute dollars and cents in place of marks and pfennigs. You'll get the picture.) In the middle of 1914, just before the war, a one pound loaf of bread cost 13 cents. Two years later it was 19 cents. Two years more and it sold for 22 cents. By 1919 it was 26 cents. Now the fun begins.

"In 1920, a loaf of bread soared to $1.20, and then in 1921 it hit $1.35. By the middle of 1922 it was $3.50. At the start of 1923 it rocketed to $700 a loaf. Five months later a loaf went for $1200. By September it was $2 million. A month later it was $670 million (wide spread rioting broke out). The next month it hit $3 billion. By mid month it was $100 billion. Then it all collapsed.

"Let's go back to 'marks'. In 1913, the total currency of Germany was a grand total of 6 billion marks. In November of 1923 that loaf of bread we just talked about cost 428 billion marks. A kilo of fresh butter cost 6000 billion marks (as you will note that kilo of butter cost 1000 times more than the entire money supply of the nation just 10 years earlier)."

—UBS's Art Cashin, 13 October 2011. Read more: http://tinyurl.com/ej-cashin

"Almost exactly 20 years ago Gordon Fox, the architect of the present structure of the group, eloquently set out in his chairman's statement accompanying the 1990 annual accounts his view of Camellia's philosophy. It is remarkable to re-read Gordon's statement which is so relevant to today's difficulties and shows that it is no coincidence that the group has survived and prospered by following that philosophy. I believe it may help shareholders to understand more fully why Camellia is often referred to as a 'unique' company if the key parts of Gordon's 1991 statement are repeated here."

So reads the company Chairman's 2010 letter to shareholders. Those of you who have read many of these reports will agree that, firstly, these letters are generally written by Public Relations people and often by the company's lawyers. Secondly, I have never read one in which the current office holder quotes from his predecessor 20 years earlier. Surely this Gordon Fox had something to say. Here is the quoted text:

"Coinciding with this milestone in Camellia's affairs has come the close of a decade of exceptional political change and financial irresponsibility. Many of the world's leading financial institutions, including the majority of the venerable money centre banks which, over and above their responsibility to their shareholders, underpinned the economic stability of their nation and the livelihood of its peoples, inexplicably ignored historic lending principles and competed with each other in an orgy of short-sighted and profligate lending. Never before have so many outstanding enterprises fallen victim to the financial engineering of the leveraged buyout or to its threat. Never have so many sound pension funds been decimated, particularly in the USA. Certainly never before have so many young people with little if any experience of business, and even less of life, been engaged by prestigious institutions and paid unprecedently large sums of money by way of salaries and incentives ultimately only to undermine the very structures which upheld the institutions themselves. But the greatest tragedy of this get-rich-quick era was the human one—the many thousands of small and medium sized businesses that the banks no longer could or would support, and the many millions of conscientious and competent people who lost their employment through the corporate restructurings and bankruptcies.

"It is against this background that I would like to inform our shareholders of Camellia's philosophy regarding its responsibilities, its management and its raison d'être. Let me say at the outset that nothing I have seen or experienced in 40 years of professional life has led me to alter my view that a business can be run with a 'human face', for the benefit not only of shareholders but equally for its employees, as well as the general benefit of the societies and environments in which it works. In our group we particularly concern ourselves with the welfare of our employees in the conviction that the loyalty of a secure and enthusiastic employee will in the long run prove to be an invaluable company asset. I stress the long-term advisedly, because our entire emphasis is towards the development of a worldwide group of businesses which by their very nature require their managements to take a long view. Many companies in the group are in excess of 100 years old. These enterprises have acquired particular skills, traditions and ethos, and we see ourselves more in the nature of custodians or trustees than as owners. That is we do not see these assets as objects or commodities or bits of paper that can be traded, but rather as living entities from which, if properly managed, we might earn an attractive return on our investment; but also, and indeed primarily, towards which as individual enterprises we have a responsibility of ensuring continuity, development and progressive growth.

"In summary then, our priority is not towards acquisitions but to the continuous refinement and improvement of the group's existing assets using our internal expertise and financial strength. Above all we will never overreach ourselves so that our base becomes vulnerable to the changing circumstances of the banks.

"These then are the principles on which Camellia was built and I have every confidence that we will continue to go from strength to strength as long as we and those that follow us continue to abide by them."

Observations

On quiet weekends, I often go to the Zurich airport for no reason at all. The big idea behind its development and operation is to be a destination in itself. There are shops, restaurants and much else to see. In fact, revenue from non-aviation related business is larger than what comes from flight operations. In my case, even when I travel, I walk through the airport with the eye of an owner—which I am. *What sorts of stores have traffic? Is everything neat and tidy? Are the signs clear? Is there any visible unmet maintenance? Are the bathrooms clean? Are the standards of quality in bakeries and shops tip top?* I also look around at the advertising which is a huge revenue segment. *Who is advertising? What is being advertised? What is the manner of the advertisement? Does it all fit nicely together?* And so forth.

As an example, I noticed that in the last year or two, a big Swiss private bank has taken up most of the good advertisement spots on the arrival segment at Terminal A. The spots suggest, not so subtly, that the bank's investment skills and judgment are as definite and absolute as those of an airplane pilot. A photo of a pilot in the cockpit of a big jet surrounded by a myriad of knobs and switches dramatizes the conceited hubris of it all. Unlike the idiotic advertisements of others who promise "not to rest" until "all my dreams and aspirations are met," this pilot-investment skill analogy does not insist on insulting my intelligence. A new advertisement, I recently noted, had the same cockpit-knobs and switches photo with the tag line: *Unexpected turbulence does not always require a seatbelt.* What? Am I to think that the financial turbulence of our times is unexpected? More likely it is something unexpected by them.

Alas, the analogy with clear air turbulence—a weather condition that is impossible to predict—fails miserably. Flying demands a seatbelt—mostly to protect oneself from oneself. In the old days bankers didn't advertise. They didn't need to. Their work spoke for itself. Perhaps those days will come again. In the meantime, I welcome all expensive advertising at the Zürich airport. (TD)