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Facebook, rivers of money . . . and Caltech's Richard Feynman.

We're going to say something bad about money; but before we do, we'd better confess our sins. It's embarrassing to admit it, but here at Outlook we absolutely love money. We think the best thing would be for everyone to have a lot of it, and of course our job is to help our clients get there. But there are two sides to every coin, and the dark side for money is that it tempts us and fools us. When we have a lot of it, or a river of it's flowing through our doors, we are powerfully tempted to think we are pretty darned smart. What we really mean by "pretty darned smart" is "pretty near infallible, when you get down to it." And of course every human being in history who let themselves feel that way is cruising for a bruising. The only question is "when."

"Meta (Facebook, that is) to Fire Thousands of Employees Wednesday Morning!" was the headline today. Another was: "Facebook Investors, 75% Poorer, Wonder If Glory Days Are Over." Let's glance at a picture.



That wonderful, swooping green arrow traces the "Celebrity Tech" years of Facebook. That sickening, plunging red arrow is the 2022 tombstone for Facebook's glory days . . . for its "Celebrity Tech" days, when the market's betting crowd spent years treating it as if its tree was surely growing to the sky. In one year or so, Facebook has lost 75% of its value. That's enough to make any human being feel something less than "pretty darned smart," much less "almost infallible."

Here's the interesting thing. Mr. Zuckerberg at Facebook is indeed "pretty darned smart." But one of the most profound lessons of life, in Outlook's opinion, is one of history's absolute truths: that very smart people make blunders and misjudgments all the time: not on a trivial scale, but on a galactic scale. They make blunders which ordinary people don't make, or wouldn't make, because *they've* never had a river

of money flowing through the front door, and because life has humbled them often enough to give them a humble opinion of themselves. So they think harder about how they might be wrong, when they must make big decisions.

We investors are mightily interested in the quality of the people in charge of our companies. The man or woman on top of any business always sets the tone for everything inside the business, just as the general sets the tone for his army, the coach for his team and the parents for the family. At Outlook we look long and hard at our CEO's, because it's not possible to know how good or bad they are until we've done that for some time. And on the subject of CEO's, we've remarked that the "non-celebrity" CEO of a steel company or a car company might have talent and character far beyond those of the "celebrities" running famous, wildly-popular companies with astounding profits and stock gains . . . because her job is ten times harder—sharp cycles, combative unions, stagnant industries and all. 5% annual profit growth might be a management miracle in her business, while 30% growth might be mostly due to that river running through the front door for the Celebrity CEO.

Mr. Zuckerberg's company has reveled in such a river for a long time now. There is no way that Mr. Zuckerberg and his team haven't been tempted and fooled by that river into feeling they're pretty smart. There is no way that temptation hasn't weakened their judgment and their comprehension of just how hard and fast they must work to stay ahead of whatever Big Problem will head their way. Mr. Zuckerberg almost admitted that, lately, when he said "This is my fault. I was too optimistic."

A year or two ago, when he changed Facebook's name to Meta Platforms and grandly announced that his company's future would be in leading the "metaverse", what came to our cynical minds at Outlook was, "Pride goeth before the fall." What clinched our opinion was that we had to read and re-read his explanation of what on earth the "metaverse" is . . . and we still didn't get it. (It has something to do with everyone spending more of their lives in partly-imaginary electronic worlds.) We weren't quite humble enough, at that point, to say "Ah well, Mr. Zuckerberg is so smart he's sure to be right about all this, and we're just not able to operate at his mental level."

A long time ago a Nobel Prize physicist named Richard Feynman said "If you think you have a brilliant idea, but you can't put it into a few lines on the back of a napkin for a waiter to understand . . . it's probably not such a brilliant idea." Mr. Feynman's wisdom stuck with us. Copper, oil, tractors, diesel engines, fighter planes . . . we can sum them up on the back of a napkin, pretty nearly, can't we? It may be that some of the betting gents who've taken that 75% cliff-dive with Facebook, lately, are thinking about doing more pencil-and-napkin work in the future.

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