

Arnold Van Den Berg - A Must Listen Life, and Investing, Discussion The Business Brew

Arnold Van Den Berg is one of the most unique investors alive today. He is Jewish and was born in Amsterdam, Holland, in 1939. As a toddler, he and his family were forced to hide in a small closet when the Nazis searched his street. His mother was concerned that Arnold and his brother, then 5 years old, would not be able to keep quiet during the searches. Consequently, she arranged for Arnold and his brother to be smuggled out of Amsterdam.

While Arnold was successfully smuggled out of Amsterdam, his mother never received a phone call confirming his safety. She grew worried and eventually set out to find a phone to confirm Arnold's safety. Arnold's dad went with her.

On the way to the phone booth Arnold's mother and father duked into a store to avoid an air raid. The store owner alerted the Nazis and both of Arnolds parents were sent to Auschwitz. They both survived.

This episode is about investing. But, it is more about life than anything. Bill has been fortunate to get to know Arnold over this process. They have talked on the phone for ~10 hours and will do so until Arnold tires of Bill!

Arnold is a testament to what humans can do. He and his immediate family survived the most hellish conditions on Earth. Yet, he holds no resentments. In fact, he discusses his experiences as something he's almost grateful for because they enabled him to become the person he is now.

In conclusion, no detailed show notes on this one. As a listener, you are encouraged to listen to this entire interview and determine what is helpful for you. Arnold is someone to celebrate and his story should never be forgotten. We hope we add something important to your Memorial Day with this episode.

Thank you to all that serve and help ensure the freedoms we enjoy today. Best wishes. Much love.

[The Business Brew theme]

Bill: Ladies and gentlemen, welcome to The Business Brew. I'm your host, Bill Brewster. I'm thrilled to be joined with by Arnold Van Den Berg today. As always, nothing here is investment advice. This is all for educational purposes only. Nothing in this program will be an invitation or solicitation to buy or sell any security discussed. I hope you all enjoy. Arnold is an incredible person and an incredible investor. Arnold, how you doing today?

Arnold: Very good.

Bill: I was hoping that we could get a little bit of your life background, and then we'll get into the investment stuff after a nice discussion. How's that sound?

Arnold: Very good.

Bill: All right. If you want to give people a sense of where you were born, and how you grew up, maybe that's a good place to start and I'll try to help you along.

Arnold: Okay, very good. Well, I was born in Amsterdam, Holland, in 1939. The reason our family ended up in Holland is that my dad was born in Germany, my mom was born in Poland. They met there, they got married in 1933. By that time, Hitler was coming to power, and my dad figured out that that might not be a great place for a Jewish family to continue staying there. So, he emigrated to Holland, and shortly after that, my mom joined him as well. And so, they were in Holland, and my brother was born in 1936. I was born in 1939. By that time, it was very apparent that Germany was already reaching out to other countries, and it was only a matter of time before Germany invaded Holland.

So, most of the Jews went into hiding. I was born on the same street as Anne Frank. I think we lived in the 800 block, she lived into 200 block. My family went into hiding, just as Anne Frank's family did. They were hidden in an attic, and my mom and dad were hidden by Hank and Marie Buntz, Dutch family, who risked her life for hiding them, and they built a little wall behind the closet so that you enter in at the bottom of the closet, clothes hung there. Then, there was a wall there, and they could hide there. It's just a little space to stay in that much room.

The only time they spent there was when the Germans were coming into neighborhood and searching it and so forth. Sometimes they'd have to be there for a long time, because you never knew when they would come knocking on the door. The problem developed that they had two little kids, I was two and a half, my brother, [unintelligible [00:02:53]] was five and a half, and it's hard to keep two small kids quiet, especially me, and nothing has ever changed.

[laughter]

Arnold: So, they brainstormed that with the Buntz family and other people, and they finally came up with a solution that the Dutch underground was willing to send a girl who was 17 years old for all my life I thought she was 19. But William Green did the research and found out she was 17. Anyway, she agreed to smuggle me through the German lines, which was very risky. The reason why is that they check passport, we didn't have a passport. So, the Dutch underground made fake passports, and the problem was it wasn't very sophisticated. If you really look closely, you could tell it wasn't real. That was a problem. So, we had to get on the train, and once you get on the train, the German officer comes, checks your passport, and then the whistle blows, he gets off, and the train goes on. Well, what they did is they put a person, a man, in front of us to keep the German officer busy, hopefully long enough to where he didn't have to check your passport. Asking him questions, talking to him, he could talk German and so forth. But it was very successful, because she said, she was sitting there and all of a sudden, the whistle blew, and he said, "I've got to go," and he jumped off the train, and she said her heart was beating. She thought it was going to jump out of her chest. It was so scary.

But anyway, we got to the orphanage, and so, I landed in the orphanage, and the problem was that my folks were supposed to get a phone call when I arrived which never happened. My mom kept pushing my dad, "We've got to go out and find a place where there's a phone, so, we can call to see if he came, because nobody called." That went on for hours, and my dad says, "Look, we can't go on the street, because if they catch us, the kids aren't going to have any parents." That worked for a while, and then my dad says, he couldn't hold her off anymore, if you knew my mom, you'd know why. She told him, "You go. If you don't go with me, I'm going alone. But I'm going." He said, "What can I do?" He said he had a very bad feeling about it, and he knew it was way too risky to do, so I said, "How could you let her do that?" He says, "Have you ever argued with your mom?"

Bill: [laughs]

Arnold: I said, "No. I know what you mean now." Anyway, they went outside, there was an air raid, they dodged into a little grocery store, kind of a butcher shop, and the people knew that they were Jewish, that my folks were Jewish. They called the Gestapo, and by the time my folks walked, the Gestapo was waiting for them. They arrested them. They never found out that we got there. Then, they took them to Westerbork, which was a holding tank where they round up all the Dutch Jews, and then they ship them to Auschwitz. The trip to Auschwitz was about three days of hell. There was no food, very little water, and no toilets. So, what they had on the train was just a bucket. Men and women had to go there for three days. You can imagine it, spilled over, it smelled, and they would just hold clothes up a coat or something while they were going. So, it was a horrible thing, but when they got to Auschwitz, it even got worse.

Bill: It's incredible that humans can treat other humans in that way, and it's also-- [crosstalk]

Arnold: Oh, you have no idea how bad they can be. It's just unbelievable.

Bill: Well, to your point that when we had talked earlier about the people that turned your parents in over, I don't know if it was extra rations or something, and the-- [crosstalk]

Arnold: Yeah, it was extra rations, and they paid 15 [unintelligible [00:07:10] for every Jew they turned in. So, that's what happened.

Bill: Yeah, it's just such a sad-- This is not a new thought, but it's such a sad state of the world where two humans can have such two separate groups of people can have such different reactions, and one group can do something so horrible over something that's really incrementally nothing to their life. I shouldn't say it's nothing, a little bit of food, but come on, you're turning in a human. On the other hand, you have this girl who risked her life to take you on the train, and I know that that's something that you struggled with. What do you think made her make the decision to take you on the train?

Arnold: You know, Bill, I struggled with that for over 20 years. I thought, how could this girl, 17 years old? I was thinking about when my daughters were 17 years old, could I send them on this mission of suicide? I struggled with that, and on one side, you have a family that risked their lives and to save somebody and the other side you have somebody who turns in for a food rush. I struggled with that,

and I came to America, graduated from high school, got married to my high school sweetheart, and then it got a divorce. I went into a deep depression. I went to see a psychiatrist, and we talked about that problem. How could you do that? He said, "Oh, that simple." I said, "It's simple? I've been struggling with this all my life." He said, "Well, here's the way it works. If your principles are more important than your life, you sacrifice your life. If your life is more important than your principles, you sacrifice your principles." So, it's a matter of attitude and belief and faith, and these people were deep Christians. Not only that the daughter risked her life, but the father risked his daughter's life, and he risked his whole family's life by hiding Jews in his home. He was a minister. So, it was deep Christian faith that allowed them to do it, and it was their principles that carried them through that.

Bill: How through your life have you applied that lesson, and develop the principles that you've developed? Getting to know you through this process has been a joy more than I even thought that it would be. I knew it would be. But talking to you, you take preparation very seriously, you take humanity very seriously, and one of the things that I said to you when we talked earlier, and I sincerely mean it. Someone it's been through what you've been through, it would be so easy, I think, to say, "You know what? Screw the world. What's the world ever done for me?" And you are a giver by nature. How do you think that happened to you?

Arnold: It's changed on that very day, when he told me that, because I realized that here, how profound these people were, that due to the faith and belief and their principles, they were willing to do that. I said to myself, I need to understand that. I need to-- because, look, if you didn't have principles, you would turn somebody in for a food ration. If you had principles, you were willing to sacrifice your life, and look at the difference in people. So, that became a real mission for me to understand that, and that was in my point, a turning point, as well as when I went to the psychiatrist, and he backed up certain principles that I had already developed from my parents, but he confirmed them, and that was important for me at that stage in my life when I was so depressed, to hang on to what I believed. That was a turning point.

That was a very important point, and whenever I give a talk about this, I mention that principle, because what happens, people don't have to go through life to have their principal says. Let's say, you're working at a company. All of a sudden, you see a chance to make some easy money, or maybe do something that's not quite right, but you don't have the principles to stop you from doing that. So, I realized in order to be successful in life, you have to have principles. We don't all have to agree on what it is, but it has to be in line with universal laws. If you look at all the different religions, they wouldn't disagree on the principles, like, the Ten Commandments as an example. But I think it's way deeper than that, Bill. It is mental principle as well. So, the New Testament Christ thought a lot about to deeper thought, not just the act, but the thought. I became a student of the subconscious mind on an element that my dad mentioned.

Just to give you an example. My dad was in Auschwitz, and he was on a death march. Now, I weigh 158. We're about the same size. It was one inch shorter. He weighed 85 pounds, and he went on a death march. It's all skeleton. It was subzero weather, and the snow was halfway up your knees. A rule was that if you weaken by grumping down and your knee touched snow, they beat you. If you didn't get up, they shoot you. You only have two slices of bread, or one slice the equivalent of our two slices. The

water you got by grabbing the snow off the guy in front of you and melting it in your mouth. You march 24 hours, no breaks, and I asked him, "Pa, how?" He said, "I realized the most important thing is that I couldn't weaken and buckle, because if I buckle, I get beat, and they beat you so bad, you don't want to get up. So, I knew I had to keep my legs straight, and I had to march. What I decided to do is, I said to myself, "Hugo, what's the most important thing you can do on this March?" and he said, "Not fall down, not buckle your knees." So, every step I took, I tried to place it even though it's slippery and icy, I tried to make sure it was locked, my knee was locked, and I wouldn't go down and then I'd move my other knee." He said, "Every time I tried to move my leg, I just felt like I couldn't go on. But by just concentrating on that one thing solely to the exclusion of everything, that means you don't think about how hungry you are, how cold you are, how thirsty you are, how angry you are, how far you have to go. Only one thing. Move that leg." He said, "There's something that I can't explain. It comes from the mind, but there's an energy in the mind when you focus. It's like when you're a kid, and you took a magnifying glass and you put it to the sun and you can burn the paper, but otherwise the sun wouldn't burn the paper. So, what you were doing was focusing the mind. Focusing the sun. And if you do that, you create energy." That was his explanation. He said, "The second thing is that you thought about your loved ones, you were thinking about wanting to see your wife, wanting to see your children. That got you through things that you would not normally believe you could do." Those were the two things.

There were a few things that my mom and dad taught me about survival, that made me think that there was more to the mind than just what we consciously know. There is something almost spiritual, that you develop strength. It just like these people who believed in the principle, it was belief, it was faith. It was the belief that it was going to happen, and they weren't afraid. They just did it, because that's the thing to do. They believed it. As I was talking to the psychiatrist about these things, I told them about an experience I had, and that was, when I got out of the orphanage, I was very weak and skinny. I could barely walk at age six or seven, I was crawling most of the time. I wanted to overcome my physical weakness. As a young guy, you know how it is. You don't want to be the weakest, skinniest kid in the group. So, that bothered me a lot, and I also lived in a neighborhood where the culture was violent and fighting and that type of thing. I was always getting in-- people wanted to fight me, because I was an easy prey. Who's going to win?

So, anyway, that shaped my thinking, and turns out my brother got smuggled into a farm after we got in the orphanage, because they had to remove him, because one of his traits was he liked to talk a lot, and, again, nothing changed in his life.

[laughter]

Bill: It runs in the family.

Arnold: Yeah, it runs in the family. He was, unlike myself, he was very gregarious, and when the Germans would come through the orphanage, they thought he was a cute kid. They didn't know he was Jewish, and he was outspoken, outgoing, and so they gave him rides on tanks, and they just thought he was great.

Bill: Wow.

Arnold: The people that the orphans were scared to death, because he knew he was Jewish, and if he would have said something, that would have given the whole orphanage away, because a lot of Jewish kids were hidden there. So, they had to move them out, and one night, they moved him out without telling me and the next morning, I go out looking for him, I couldn't find him, I was destroyed. That was probably the scariest, worst feeling in my life. I've never forgotten it, but anyway, he ended up on a farm, and on the farm, they had food and he had to work on the farm. So, he became very strong, unlike myself. He became a rope climber. There was an event in gymnastics that used to be an Olympic event where you climb a 20-foot rope, you know those ropes hanging on the gym? 20 feet?

Bill: Yeah, sure.

Arnold: So, that's what I started, climbing the ropes and so forth, and I had many different experiences, but I had some mental experiences that I didn't understand, but that transformed me from the weakest kid in the school to a champion in the event. I set the school record, I set the league record, I won the league three years in a row, I placed 9th in the nation as a high school climber against all college seniors, and I climbed to 20-foot rope in 3.5 seconds-- [crosstalk]

Bill: Wow.

Arnold: That was a complete transformation. I almost didn't understand it, but I thought it was just hard work. Well, when I got to the psychiatrists, he says, "Oh, what you told me you did in training is what we teach Olympic athletes. Sports psychologists teach it. You visualize what you're going to do. You repeat it often enough. You work on the technique, and you believe you're going to accomplish something. Those are things that are in every textbook." I didn't even know about the subconscious mind, and that was not something I understood. I didn't even know we had one. But he said, "Now, if you take those principles, and you apply it to business, same thing is going to happen." My right arm lit up like a Christmas tree. Whenever I hear a truth, I get a feeling on my right arm.

Bill: Really?

Arnold: Yeah, it chills. It just chills up. It's just a distinct feeling. When I got that feeling, I said, "That's what I'm going to do." That's it. I went home, I lived in a studio apartment, and I said, I'm going to start my business, which is something I've wanted to do, and I visualized it. When I woke up in the morning, I was so afraid when I went to watch this champion to figure out a new style that I was afraid, I was going to forget it. So, I get up every morning at 3:30 in the morning, and I would be using my rhythm and climbing the rope in my mind. One day, after about six months of that, constantly visualizing, and I'd sit in class, and I can just see myself climbing up the rope, I woke up and I felt like Superman. I'm not kidding you, Bill, I felt like a different person. I couldn't wait to get through class, the teachers were driving me nuts.

Bill: [laughs]

Arnold: I wanted to get there and test it. So, I finally got to the fifth period. I grabbed my coach, and I said, "Coach, I'm going to break my time today. This is going to be a super day." He said, "Great. Warm up and I'll time you." I sat down at the minute I took off, I felt like a different person. I was gliding up there just like I did in my visualization. It was effortless. I used to have to really pull up. When I got to the top, it used to have to go way up and reach way to the top, I almost could hit it with my elbow. So, the coach us out there looking at his watch, I'm hanging up to 20 feet by one arm, I said couch, "What is it?" He said, "Come on down." So, I came down, and I said, "What is it?" He said, "This is so good, I thought there was something wrong with the watch."

Bill: [laughs] [crosstalk]

Arnold: I said, "There's nothing wrong with the watch. I'm going to do it again." I did it 10 times in a row. Hit that same time. It was just shattering. The whole gym, all the athletes, they just got quiet. They couldn't believe it. From that day on, 9th grade, I was the fifth guy on the team, and the only reason I'm the fifth guys, because only four guys went out. I was so bad that I was an almost embarrassment to the team.

Bill: Yeah. They didn't want you to go. Yeah, sure.

Arnold: The next year, I won the championship, broke the school record, and I was off. I was a changed person. I never was the same from that one day. So, when I explained it to the psychiatrist, he says, "This is subconscious programming at its best." He says, "This is what happens to championship athletes. Every one of them has used your technique, but it isn't unique to you, when you have a great desire, you start thinking about it, you start visualizing it, you start dreaming it, and you start becoming it." So, this is a great, great principle, and I have been studying the subconscious mind for over 45 years. I've got 506 pages of notes on it. I have used it, unbelievable things you can do especially, under hypnosis. I am a hypnotist, not formally, but I made myself into a hypnotist, and I used it on my son. He was an athlete. He was having trouble competing, and we used to hypnotize him right before he'd go into the meet on the field. And he became a champion at it, and did things that most people didn't believe, because he wasn't that big for the event. There's an awful lot, Bill, on the subconscious mind, and I have used it for everything I've ever done. It actually is like having another person. It's like, having intuition. It's like, having--

The best way I can explain it is that you get intuition. Everybody has feelings, and you get this feeling that you should do it, but most people think, "Well, I can't do this. Where's this coming from?" And they ignore it. The more you ignore, all of a sudden you lose it. But if you nurture it, then it develops, and you can use for more and more. You get feelings about things that help you stay focused, and one of the things that I learned that the subconscious talks to you is through quotations, through things you read, through things you see, through things you feel. I give you a classic example, and it formed a hobby of 45 years. My hobby is collecting quotations. Things by great people and accomplished people and good people and people you admire, and I collect the quotations.

So, one day I started my business. I even saved up and got enough money. A friend of mine lend me money to get an office. I had a part-time girl. I had just come from an appointment that was very, very

disappointing, because it was a lead on a client that I may get. But the client wasn't too impressed, because I didn't have any credentials, I didn't have an education, I didn't have much of a track record, only a little while. So, I didn't get the client and I thought-- and this was about as good a lead as you can get. I thought, "Oh, my God--" I went back to my business, and I was very depressed. I said, "How am I going to build this business, when I don't have anything, including, I don't have any money?" I was barely making my rent payment at home, let alone my office payment. All of a sudden, this part time girl picked up my mail, and she had all these annual reports, and all this stuff, stock market research, and mail, she had her arms full. She's going to put it on my desk, and I saw her slipping out, I went to help her, and I push this one magazine, it was a gymnastic tumble and hit, it flipped over and landed this way, and I thought, "Boy, that's weird." It's a weird tumble. Well, I looked at it and it was turned over, and on the back, there's a quote by Abraham Lincoln, "I will prepare myself and the opportunity will come." As soon as that hit me, it lit me up. I thought, "[audio cut] answer. I'm spending all my time trying to get new business, when I'm not totally prepared for it. So, I'm going to devote all my energy to preparing for the business, and when I'm ready, the opportunity will come," and I believed Abraham Lincoln, that he really believed that he must have experienced that because he was a self-taught person. So, I didn't worry about getting any more business. I just did nothing, but study day and night and do everything I could to prepare. By golly, the business started moving. No marketing, no selling just by itself. I kept that up, and it was an amazing lesson.

What that taught me is, the subconscious was guiding me. It guided me through that quote. From then on in, I figured that must be one of the ways to subconscious communicates. Whenever I had a quote that really hit me, I wrote it down, and in my computer, Linda sorts them all. My wife started saving all my quotes for me, and lately, Linda's been doing it. I think I've got over 5000 quotes on every subject. Then, I made a little book called *Timeless Thoughts*, and in there, I put my favorite quotes. That is one of the languages in my opinion. Now, don't quote me, because I'm not an expert at this, I don't have any education in this, it's just experience. But by studying the subconscious mind, you learn so much more about yourself. You know what the Greeks taught? The Greeks taught that, "The first method of wisdom is to know yourself." So, when you know yourself, it's like if you know how to drive your car, it's easy to drive it. If you don't, you might be making a lot of mistakes.

Bill: Yeah.

Arnold: To know yourself is the most important thing in life, in my opinion.

Bill: Can you talk just a little bit about the preparation that you-- when you say I told myself if I prepare, then the opportunity will come, can you talk about the preparation? How much of the preparation was just strictly finance related? How much of it was working on yourself and knowing yourself in a better way, like, what is your definition of preparation--? [crosstalk]

Arnold: Well, I gave you an example. I became fanatical about it. By the way, that's the way I am. When I get into something, I go all the way. That's me. Most of it is out of desperation, because I never had any talent, nothing came easy. I didn't do well in school. Matter of fact, I flunked out of Hebrew school when I was a little kid, which was the equivalent of kindergarten Hebrew school. A rabbi and my dad tried to make excuses for me said, "Well, Arnold." I said, "How come I'm not going with the other

kids?" I was just a little kid. Well, we're going to put you in his class, we think it's better for you. But I knew that wasn't it. I knew that I had failed, and that bothered me. The reason I had a low self-image of myself is because after the war, I wasn't doing well at things that required some thinking. So, my mom thought maybe because of the war, it affected my mind and malnutrition. She hired the top child psychologist in Holland that she could find. He speculated that it might have been because of malnutrition, it could affect your brain. I heard him, and so that gave me the impression I was psychologically impaired, I wasn't too smart. So, I never tried. I never did well in school, barely graduated. But anyway, when I went out for the rope climb, I knew that it would take a lot of hard work, because I was the worst there was, and so I became fanatical about it.

When I started studying for the market, what I did is I took everything. I lived in a studio apartment. Took everything off the wall. Nothing on the wall, but bookshelves, and I bought every book on the market I could find. I spent every moment that I wasn't working to market and studying until late at night. I was single at that time, and I wouldn't date except on the weekends. So, one time I met this really great looking gal. We got along real well, and so she said to me, "Why don't you come over Wednesday night? I'll cook you dinner." I said, "Oh, no, I can't. I'm studying." She says, "You're studying? I didn't know you're taking courses." I said, "No, I'm not taking a course. I have a program. I bought all these books, and I've got to read so many pages a day in order to get to so many books for the month, and then I have so many books, and by the end of the year, I should have read all of these books. I figured it out." She just couldn't believe, and she says, "What are you studying to be? A monk?"

Bill: [laughs]

Arnold: "A monk, I'm studying to be an investment counselor." She goes, "Oh." Then, I said, "Oh, okay, I got it."

Bill: That's funny.

Arnold: That's how you've got to focus.

[laughter]

Bill: Yes, indeed. How did you find-- [crosstalk]

Arnold: [crosstalk] sideline.

Bill: Indeed. You found value, right? You tend to identify yourself as a value manager. So, how, out of all the books that you're reading, how does the value mindset click with you?

Arnold: Here's what's interesting. When I graduate from high school, I didn't have good grades to go to college, and so I was working in a gas station, and buck 15 an hour. Then, I went from-- I lost a job at the gas station and I went and worked in this big oil company where I was applying for a job in the mailroom or any job they had, and they had a job in the print shop. So, I got the job in the print shop,

just to show you how desperate I was. Dad and I got into a hassle, and we had some real problems physically too, but I finally left home, when we had a dispute. I only had about \$40, and I called up a friend of mine who wanted to move out too, so, we got this apartment by ourselves. It was \$40 a month. This is 50 years ago. Two weeks later, I lost my job at the gas station, because they went bankrupt, and my transmission in my car went out.

Bill: No.

Arnold: It was two weeks before Christmas, and I thought, I'm not going back home if I have to live in my car, but obviously, I need the money. I had to sneak around to avoid to landlord, because my rent was due. So, I went knocking on every door downtown Los Angeles. Every day, nothing. One day, I walked by this building and said, "Jeez, I didn't go into this building, and I thought, well, I've had enough. No, go back in, go into the building. That's one building you missed." So, I walked in there, and I said, I'm applying for a job. She said, okay, here's an application, and I was so tired of it. I filled out the application real sloppy. The other ones I did real neat, because they tell you, you got to do it. She said, I just got a phone call from the multilith department, and they need somebody. She said, "Would you be interested in it?" Well, I didn't know what the multilith department was. But I said, "Sure. I think. It didn't matter. What?"

Bill: Yeah, I'm interested in anything. [laughs]

Arnold: Yeah. Sure. I sit down with a guy and he said, "Well, you have a background fixing cars, working in a gas station. I think you'd work out fine. I still didn't know what he was talking about." Then, I go to meet to supervisor to multilith department, but it wasn't in the multilith department. He said, "Yeah, if you're interested, let me take you down the department. I'll show you what you'd be doing. I said, "Great. And now, I get to see what I'm going to be doing." It was a bunch of printing machines called the multilith Addressograph-Multigraph. So, he said, "Yeah." I said, "Oh, I would love that." He said, "Okay." I said, "When can I start?" He said, "Oh, Arnold, we can't start you right away. We've got to send you to a doctor to get health test, and then we got to have you fill out the paperwork, and it's pretty close to Christmas. Why don't you come back after Christmas?" I said, "Well, why can't we do it now?" He says, "Well, I need a report from the doctor." I said, "Well, how about if I go to the doctor, take the report, and I'll put it in a sealed envelope, so I can't open it and the doctor can examine me, and then if I bring it back?" He goes, "Well, I guess that would work. Yeah." So, he called the doctor, he could see me, I went down there, got the doctor's exam. So, I go rushing back there, and I'm so excited, and he opens it up and he goes, "Oh, no." What's the matter? He said, "You're colorblind, and you're working in a print shop."

Bill: [laughs]

Arnold: My heart just sank. I thought, "Oh, my God." So, he said, he could tell I was really upset. He said, "Let me give you my own test, because I don't care if you're colorblind, as long as you can tell the colors of your paper." So, there was pink, and blue, and green, and yellow or canary yellow. I was red colorblind. So, it's just a shade. I can see the solid colors. I passed his test on the deal. He says, "Okay, well, that takes care of that problem. Now, we need to do is get to the paperwork, maybe you can come

back in a couple of days.” I said, “Roy or Mr. Maitland, I really need to get started as soon as I can, because quite frankly, I haven’t paid my rent.” He said, “Oh, okay, I’ll tell you what. Come on in here.” He got me in this office, filled out the paperwork, got everything. I started the day before Christmas. That shows you when you’re desperate and you’ve have a strong desire, you make things happen. I was so happy the day before Christmas, I got that job.

Bill: Yeah. When you’re telling this story to me, there’s two different stories that I’m thinking about in your family. I’m just wondering how much you think of this is genetic versus circumstances. I guess that the two that I’m thinking about is, when your mother approached the guard in Auschwitz to start brokering her business, and then how much tenacity you had in this story that you’re telling, so many people would not have gotten in the building to start with. Then, so many people would have said, “You know what? Okay, I’ll wait until the doctor is going to be able to see me.” Then, so many people also would have said, “Okay, I’ll wait.” Do you think it’s genetic that you’re-- There’s something that comes from your mom, that is just like a problem solver in you?

Arnold: Well, I’ll tell you what I think it is. I’m sure it’s a little bit of all of that. We all have genetic dispositions. But if you read the book, *The Biology of Belief*, which is the top biologist in the world, he had an epiphany, and he realized that belief and need override genes. He said, “If you believe something, you can really change your genes and your DNA.” I would say, “If I was not very desperate, when I was looking for the job, and the guy tells me to come back after Christmas, I come back after Christmas, what’s the big deal?” If I would have had money to pay the rent, and if I had money to eat, I probably wouldn’t have pushed it. I don’t think that’s the gene part. I think that’s the desperation part.

There’s another part. If you’ve ever been hungry, and I have, because we used to go out in the field and eat plants just for the hunger, you’re never going to be the same, because that’s an instinct, you just can’t hold back. That creates a desperation that you can’t even imagine. When I was not being able to pay my rent, not had enough money to eat, well, that creates a situation where you do things you have to do. Desperate people do desperate things. Sometimes they’re not good things. That’s what leads people to cry. Some other people who are desperate, and they don’t know how to get a job, or if there’s nothing, then they might resort to crime. So, is that genes, is that genetics? This is why you have to understand. One of the greatest things in life as an achievement, which is another whole story, but just to give you is to appreciate love to be able to accept love and to be able to give love. That is the single greatest achievement any human being can aspire, and I have a little article I wrote about it, and it gives all the different sources of why that’s true.

Well, if you have love, it opens up all kinds of other doors just anything else. That’s an important part of understanding. Understanding is one of the ingredients of love. You could not love somebody who you didn’t understand, who you could communicate with. These things are all tied together and are all tied together in the bow of character. That is crucial, whether you’re an athlete, or businessman, or whatever. Matter of fact, when I was studying, I was led to the books by Benjamin Graham. You know Benjamin Graham, that’s right?

Bill: Oh, yeah.

Arnold: Benjamin Graham is considered the father of security analysts. He was the mentor of Warren Buffett, and everybody in the security fields considers him like the George Washington of the country you know. Now, in preparing for this interview, I thought, what is the most important thing that I can communicate to your audience that will help them right from this second on? This second on, you can change your life in the twinkling of an eye. You may not see the results until much later but mentally, you have changed. When I heard that thing about the principle, that changed my life. When I heard that thing about prepared-- I will prepare myself the opportunity, that was a momentary thing. So, when I read Benjamin Graham's thing, and I pulled him out for this talk, let me read you a few things that came across Benjamin Graham. Now, don't forget, he went through some very tough times. He managed money during the Depression. If you know anything about money management, that's not the right time to be a money manager. He said, "Listen to this. So, everybody thinks to be a money manager, you got to be very intellectual, you've got to be smart, you've got to have an MBA, you've got to have a CFA, you got to have all these intellectual hurdles that you have to jump. Because if you don't have it, you're just not going to make it. That's not what makes a great money manager," according to him. Not for me. To him. Let me read. Can I take a few minutes to read?

Bill: Yeah, for sure.

Arnold: "A genuine investor in common stocks does not need a great equipment of brain and knowledge but he does need some unusual qualities of character." Now, why? Here's why, "By developing your discipline and courage, you can refuse to let other people's mood swings govern your financial destiny. In the end, how your investments behave is much less important than how you behave, by controlling yourself. It requires strength of character in order to think to and to act in opposite fashion of the crowd and also patient to wait for opportunities that may be spaced years apart." So, he was just talking about mental control and mental courage. "Before you place your financial future in the hands of an advisor, it's imperative that you find someone who not only makes you comfortable, but who is honest beyond rich." Character. Take now in choosing somebody, that's the most important thing. "In the world of securities, courage becomes the supreme virtue after adequate knowledge and attested judgment are attained. Individuals who cannot mastered their emotions are ill suited for profit from the investment process." Now, this is all independent of understanding income statement, and balance sheets, and growth rates, and debt structures, and all of that. This is what you need to become to be the tool that can activate on the investment principles. If you know all the investment principles, but you're lacking these things, how the hell can you be successful? It's like having a tool and you don't know how to use the tool. Investing isn't about beating others at the game, it's about controlling yourself at your own game. Now, one more, "An investor who permits himself to be stampeded or unduly worried by unjustified market declines in his holding is perversely transforming his basic advantage into a disadvantage."

Now, here's from a completely other source about character to a man that I have a lot of respect for, and I think most people would agree, Theodore Roosevelt. "Character is far more important than intellect in making a man a good citizen or successful at his calling. Meaning by character, not only such quality is honest, and truthfulness, but courage, perseverance, and self-reliance." So, he's just confirming everything that Benjamin Graham said, that you are an incredible precision instrument, you've got a mind and the subconscious mind that can literally move matter. In quantum physics, which

I do not understand, they teach that the mind has the ability to move matter, to influence situation, to change circumstances, and I have experienced these things.

Now, if a person wants to make a lot of money, if he wants to be a money manager, or if he wants to just invest his own portfolio, that I believe, if I was running a school for teaching people about investment, I would do what the Greeks do. You know the Greeks spent all this time training their leaders. Up until the age of 35, he became a PhD at age 35. I have a quote, I don't have it with me, but I'll quote it for you. It's Plato was talking, they were talking about, "How do we pick leaders?" He said, "Let these PhDs," which is where the word comes from, "go into the cave of the world. Let them deal with men of cunning and men of brawn. Let them get their philosophical shins kicked on the crude realities of the world." Some of our perfect products will break down. But those who survive, scarred and sober, aren't with all the tradition that we can give them, these men will become the rulers of the state." They realized you just can't train leaders by running them through an MBA program or law program, and not teach them any character. They developed the Olympics, so these leaders had to go through the school until they were 35 years old, they had to go into the cave of the world for 15 years, which makes them 50. At 50, scarred and sober armed with all the tradition, these men will become the rulers of the state.

Now, take a look at our leaders here in government. Look at the people that have in there. They would never have made it into Greek Senate, because they didn't. They had the intellectual capacity, they had the educational capacity, but they're lacking the character. If they were in Holland, some of them would have sold out my parents for some extra rations. So, what we need is people who have gone through the education, through the experience, and then they become the leaders.

Bill: Yeah, I would say. importantly for America, we need that. Less importantly in the market, you need that too. Everybody, it seems to me needs to go through a different market cycle or structure or something like that, that tests them in order to figure out who they are, and how they'll respond to both good and bad times to figure out whether or not they can get to the other side. It seems to me as though that has been the value managers over the past decade or so, and we'll see what comes out of the next decade. It's going to be interesting.

Arnold: Value managers including myself have been hurt more in the last 10 years than anything, and I even did something that made it even worse. But the one thing that I know, and I believe, and I would not give up-- matter of fact, I was willing to give it up one time when it wasn't working. I was willing to give up the business rather than my belief. It was 1987, and I could not believe that we had a 20 multiple on the market and 10% interest rates. My stocks were going up, and they were hitting their overvalued point, I kept selling and selling, and I couldn't find anything to buy. Then, all my clients were getting upset with me, because I was in 50% cash, and the market was just ripping away. I lost clients because of that, and I had a lot of pressure on me. Every day, I thought to myself, "What if I'm wrong? What if something changes in valuation, and the market keeps going?" It really bothered me a lot.

Then, one day, the thought popped into my mind, the subconscious told me, "The most important thing is that you do the right thing and what you believe. It might put you out of business, but it's the right thing." Just like, you might get killed taking this kid across the border, but that's the right thing to do. So,

it brought me tremendous peace. I said, "Okay, as long as I'm doing the right thing, and the clients leave, or I sell them out, I've done the right thing." Then, two weeks later, the market crashed 23% one day, 1987 crash, and I was like a kid in a candy shop. I was just pouncing all over. I just couldn't get-- I got indigestion. But that's what happens.

Now, just think if I would have caved in-- oh, let me give you an example, the pressure you get. I had this guy who recommended me to a new client. He was a young guy. He had a film studio or a video studio, and he sold it, made about \$3 million. So, he wanted to interview me, it was a CPA. We've met at a CPA office. I showed him, I didn't have an audit or track record. I took him to a client and showed him I said, "In all these trades, I've only had three stocks that dropped more than 50%." So, he's counting all-- I brought him all the trades. So, he's counting them all down. He found four. He said, "Well, there's one problem I have is I hate to hire an investment counselor that can't count." Because I told him it was straight, and he was right, it was four. I said, "Well, you know what? I agree with that, but you know what? I may not be able to count, but I've been averaging 15% for the last 10 years. So, maybe it's not that important to know how to count."

Bill: [laughs]

Arnold: Anyway, he gave me the account. Any rate, what happened is, he starts with me. We opened the account. In the first month, we buy three stocks. All the while the market is going up. He keeps pressuring me, "What do you mean you can't find any stocks? I bought a mutual fund, and it's up 5%, and you're sitting in cash, and I've lost money." The first time I said, "Look, this is what I believe. I explained it to you, and--" [audio cut] He said, "Okay." I called one more time, the third time, he called, he said, "You know, Arnie, I don't think we're the right fit. I'd like to terminate the account." I said, "Okay." He said, "Why don't you give me a discount on the fees, because you haven't done anything?" I said, "First of all, let me tell you something. Being in cash in a bull market is not like you're not doing anything. You're aggravating day and night. So, it isn't like I'm not doing it, but knowing [audio cut] my mind, I don't think whatever you pay me, you're going to be happy with. So, I'll tell you what, why don't you take your account and you don't need to pay me anything? Just *zei gezunt*, like we say in Jewish, be healthy." He said, "Okay, well, that's very generous of you. I don't mind paying you some." I said, "No, I don't want you to pay me, if you don't think I did anything. I wouldn't feel good about the money. So, we're fine." He left, but that's kind of pressure you put up with right?

Bill: Yeah.

Arnold: He left, and about a year, year and a half later, the broker calls me, and he said, "You know, Arnie," I won't mention the guy's name. You remember this guy said, "Oh, yeah, I remember." He said, "Well. What he did is, he sold out in the market when it went down. He panicked, and he lost 23% of his money, and then he went into second mortgages, and the real estate market was collapsed. Now, he lost in the market, now, he's got his entire net worth into second mortgages, and I was just wondering if you could give him a call, and maybe you can give him some advice." I said, "I'll be happy to call him." I called him. I said, "Hi, this is so and so. Arnold Van Den Berg." He said, "Oh, yeah. Jeez, I'm really sorry, and I apologize for what happened." I said, "Look, I feel bad. Is there anything I can do to help you?" He said, "Arnie, I wish I could sell these things. I could give you the money, but I'm all tied

up, and I'm underwater, and I can't sell at this point." So, that's just an example of what Benjamin Graham talks about courage and fortitude, and resilience, and sticking with it, because at times, you can literally feel like an idiot. When you're that wrong, when everybody else is right until the curtain changes, you know?

Bill: Yeah.

Arnold: But you got to be able to do that.

Bill: I got to ask a follow up just based on current market conditions. You had mentioned that you didn't like the market at a 20 P/E with the Treasury at 10%. Do you view 30 P/E when the Treasury's at 1% as any different or 1.5% now? Was it the inversion of those that-- because it's theory the spread should not be that great, especially when the Treasury is higher than the market.

Arnold: Well, that's a huge difference. Think about it. If you've got a market that's 22, you're making less than 5%, and you get 10% in the bond without taking any risk. So, that's a huge difference. But today, if you have 2% interest rates, you're only making 2%, and you could make that much in the market at the 22 level, make 5% or 4%, and you have some growth, I'm not justifying this market, but it's totally different. I think that's a very, very good question. Most people don't realize this, that the market is not as overvalued as many people have thought. Now, having said that, there are pockets or bubbles, like you mentioned in the real estate business, and there are pockets into technology, I wouldn't say the market is cheap, and I'll tell you why I don't think it's cheap. If interest rates were to stay at 1.5% to 2%, I could live with this market, because I'm getting 4% or 5% on a stock, and you're getting 1.5% to 2% on Treasury bond, that's okay. But the problem is, the question we have is, is it going to stay that way?

Bill: Yeah.

Arnold: Are interest rates going to stay this low? If they stay that low, I wouldn't be as concerned. But if interest rates go up, because of inflation, and all of a sudden-- you know what the average interest rates on the BAA is about 6% or 7%, they're earning 5%. today. Now, what do you think would happen if interest rates went to 5% or 6%? The market would sell at 16, 17, 18 times earnings instead of 22, and you'd have a 30% to 40% drop.

Bill: This is different, but it's similar, Arnie. I was just looking at the house that I talked to you about. We had rented it, and I just saw what it was listed for, and I thought to myself-- it's a different, but it's related thought. I thought, "Boy, this price that people are paying can make sense if you're running a debt service, cash on cash calculation. But boy, if it rewrites on you, and it's a levered asset, it is going to be painful, and you're picking up pennies in front of a steamroller."

Arnold: Right. [audio cut] But you don't know what's going to happen in the future. What I would say is, I lived through the 70s, during the 70s in inflation, and I have read about the inflation and so forth. Matter of fact, for anybody who's interested in understanding inflation, the Richmond Fed, Richmond, Virginia Fed, made a study after the 70s inflation where inflation got to 18%, 19%, and they came to the

conclusion that they wrote a beautiful article, and they called it Arthur Burns, who was the chairman of the Federal Reserve in the 70s, and he was an inflation hawk. He gave a speech when he retired, and he called it, *The Confession of an Investment Banker*. He said, "When I made the statement that it's illusionary to expect the Fed to stop inflation, I did not mean that they couldn't do it, but I meant that they could not practically do it for political reasons." At that time, the discretionary cost of the government was around 40%. Discretionary meaning, or rather mandatory expenses were 40% of the discretionary were 60%. So, you had a lot of room to cut, but not much.

Today, the mandatory expenses are so great, if they wanted to cut expenses to get the deficit down to reduce inflation, there's nowhere to cut. You can't cut social security, you can't cut unemployment, you can't cut entitlement, you can't cut any of these things. So, how are they going to stop the inflation once it starts? That's the big problem today, and that's why I believe-- and don't quote me, it is just me. I believe we are in a commodity bull market, whether we have inflation or not. Inflation will add to the bull market, but it's there. The reason is that we have not invested in commodities for the last 10 years. Everybody's into the S&P, and nobody wants to fund commodity companies, and gold companies, and silver, and food companies and all that. So, it's underinvested. Now, as the demand goes up, and we're underinvested, you're going to get shortages.

Bill: Yeah.

Arnold: Like we're seeing in the chip. If we get shortages, what happens? The price goes up. That causes inflation. What happens if inflation goes up? Interest rates go up. Now, there's two sides of the coin, as always. Mr. Powell, the Federal Reserve, and Janet Yellen feel that inflation is transitory. You know what? Is possible. I'm not ruling it out. I always take the approach, I read both sides and figure out what's going on depending on who's got the best argument, just like in a trial. However, what they may not realize is that they're such underinvested in commodities, that the prices go up not because of inflation, they go up because of shortages. Now, let me give you a classic example.

You know the big thing with the electric vehicles, right?

Bill: Yeah.

Arnold: Everybody thinks that's the future and so on and so forth. It's going to eliminate fossil fuels, and all this other nonsense. The electric vehicles are not going to eliminate fossil fuel. I can give you many reasons, but let's just hold out for now. Any investments are needed for the electric vehicle, 40% of the cost of electric vehicle is guess what? The battery. Well, what's in the battery? Cobalt, lithium, graphene, copper, aluminum, huge amounts. Now, we figured out-- or I'm sorry, I didn't figure out. People have figured out, I hired one of the top guys in the field. They figured out that, if you were to replace the internal combustion with this **[unintelligible [01:01:40]]** number of cars on the road, the amount of copper needed, it would be nine years of production. Right now, copper production is going down, and it takes nine years to get a permit to get a copper mine built to get it going. So, how are these electric vehicle sales going to continue, when all of these commodities that I mentioned are in such short supply, some would take hundreds of years? Hundreds of years to get the amount of production needed to fit all the electric cars.

Now, the argument against it is, well, they're not going to replace the whole fleet. They're only going to place one-third. Okay, so it doesn't take 150 years, it takes 50 years.

Bill: [laughs] Yeah, it's still a structural shortage.

Arnold: [audio cut] either you're going to have a shortage.

Bill: Yeah,

Arnold: So, what I believe is we don't have to bet on inflation. We just have to-- Benjamin Graham said, "Don't bet on people's opinion. Don't bet on the prevailing opinion of expert. Just bet on the arithmetic."

Bill: Yeah.

Arnold: Now, let's do the arithmetic on the commodities and look how much is needed, and you're going to know we're in a bull market, and the biggest bull market is in oil. We invested in oil, we're very big in it, and we got hurt real bad, we got in early, and it went way down, and everybody thought we're an idiot. People left because of it, we had all kinds of-- It's just the opposite of 1987. But when you have conviction, that there's no way out other than it to happen, but it might take five years, oh, that's a lonely place to be, is to be in something to be wrong three to five years. Well, we were wrong probably about two or three years, and finally this last year, oil went from \$15 to \$16. Our stocks are really starting to pay off and even have a bigger part to play out, because the things got so negative in the oil industry. Everybody's against it, because ESG, because electric-- renewable energy, all of these, I should introduce one of my favorite words to you and your audience. It's a Jewish word called *bubba maisa*. You know what it means?

Bill: [laughs] I can guess. I don't know what it means but it sounds like a-- [crosstalk]

Arnold: Well, in Texas, if you walk into a cow pasture and you step in something that smells, that's what it means, okay?

Bill: I was going to saying, it's bullshit.

Arnold: Instead of saying that, I say *bubba maisa*. In Jewish, it means it's *Hansel and Gretel* tales or *Cinderella* or you believe in the tooth fairy.

Bill: Okay. I like that.

Arnold: When you listen to all this stuff about the oil industry going away and fossil fuels being replaced, that is *bubba maisa*.

Bill: Yeah.

Arnold: The way I can explain it is that 84% of the energy created in the world is through fossil fuel, and only 5% to 6% are through solar and wind. That's number one. So, you're not going to replace 70% to 80% of the oil to electric vehicles, because they're only 20% to 30% of the pie to begin with, and they're not all going to be replaced. It's going to be about 145 million cars on the road in the next nine years, 2030. But here's the key. We only [audio cut] about electric vehicles, we only have 5.6% on the road, and it takes 33 million electric cars to eliminate 1 million barrels of oil. Now, we need 100 million barrels a day. If you have 33 million cars-- let's say it takes two or three years, we'll have 33 million cars, it eliminates 1 million barrels of oil. But guess what, the depletion in the oil wells goes down 5 million barrels a day, every year. So, that means we're going to have 5 million less, and so the electric cars are not going to make any difference, because they're only going to eliminate 4% of the oil in nine years, which is a 0.5% a year. We know that oil isn't going to be eliminated. That's the first thing that gives you the conviction. You're not doing without fossil fuel, might be decreased, but also is the production is decreasing. By the way, the shale production to this date is actually going down, not up. If you lose 5 million to depletion, if you don't produce 5 million more the next year, you're going to have a shortage. I believe we're going to have a shortage in fossil fuel in the next few years.

Now, the second thing to invest is when you invest into companies, you want to make sure that they're going to be able to survive. If the fossil fuels are going to survive, we know there are going to be some people left standing. They killed 6 million Jews in the concentration camp, but they didn't kill them all. So, they can kill some of the oil companies, but they can't kill them all, because the world needs fossil fuel. So, what happens is the strongest one will survive, they will pick up the bones of the leveraged companies which they're doing, and they will get stronger, and they will make money, and if you buy them at a level where oil has to be-- costs about \$35 to \$40 a barrel. So, when oil goes below that, what happens? Companies are not going to produce oil if they lose money. If they don't produce, then the price goes up, because of the fact that they're not producing. So, we made the bet on the fact that renewables weren't going to replace fossil fuels, some of the companies in the oil would survive, and that's what's happening, and that's what it takes. Now, was that a smart thing to get in early? No. Why does it happen? Well, when you're a value investor, and things get cheap, you buy into it.

Bill: Yeah.

Arnold: But you never know how cheap was cheap, right?

Bill: Yeah.

Arnold: So, if you buy a house-- I'll give you an example. When we moved to Austin, Texas from California, one of the reasons we move, we had many reasons, but we were excited about Texas, because Texas was in a huge bear market. The oil bubble had busted, and homes were selling for \$50 a square foot. Every one of my kids was able to buy a home for \$150,000, 3000 square feet.

Bill: Different time.

Arnold: Yeah, and we bought a home at the same rate. What was exciting about that is, you know that if you are looking at a home that is cheaper than it costs to build, you know you can buy it, and you know that eventually it has to go up, because people quit building homes. That's what happened. People quit building homes, the price went up, that's what happens to every commodity. So, all of these commodities are down, they've come up quite a bit, but they're still down. Eventually, all you need is time. So, that's why a value investor wins if he has the courage and the conviction and the belief that he can wait it out. If you can, you make money. That's how you get rich.

Bill: Sounds good to me. I tend to agree. The only wrinkle in it that I don't know is, I worry that the inflation-- I'm going to use the word 'narrative.' I don't want to say that it's-- I don't know that narrative is the right word, but it's the only one that's coming into my head, is a little bit overplayed at the moment because we're on the back end of shutting the entire world down for a pandemic. So, production artificially stopped, but consumption did not. I wonder how much of these shortages are structural versus one big cycle. But I have opened my mind up recently to the idea that there's been so much underinvestment in commodities, and the industry structures have changed so much that there's a real possibility that we are in the beginning of like you said, a 5-, 10-year bull market. I don't know how long. But I had an interesting call with a person at a lumber mill, and I said, "Are you guys--" He doesn't run it. He just talks to people in the industry, but I said, "Are you looking to, or are you hearing that they're looking to expand?" His comment back was after the last 10 years of pain, no one is rushing out to go buy a new mill yet. We're going to let this see how it plays out for a while.

Arnold: Exactly one of the stinks.

Bill: Yeah.

Arnold: When you've been hurt for 10 years, you're not going to go out and do it. They're going to wait until it really proves, and then finally, it's going to be too late, and they're going to bring them all at the last time. But here's the thing. I agree with you, and that's why I'm not making an adamant pitch for inflation. I say there's a good chance that it might-- No, there's a good chance, it's going to be much longer than people think. But there's also a very good chance that it could be transferred, that it was temporarily run-up, it goes to 4% to 5%, it comes back down. Let me remind you that during the 70s, that's exactly what people thought, and they never looked back. Let me give you an example.

In December 1972, beginning of 1973, the inflation was 2.36%. A year and a half later, it was 11% to 12%. Never looked back. In one year, it double and then it tripled and quadrupled. So, that's a historical example. Now, we can examine and say, why did we have inflation in the 70s, and why will we not have it today? But here's the good news. If you bet on commodities, you don't need to have inflation. It's not the inflation. The inflation is the topping of the cake. The real cake is the fact that there are going to be shortages, because people have underinvested, what you mentioned first. That's the main driving of the commodities. Now, let me give you an example on inflation, and I made a study of this. I made a chart of when the market peaked in 1972, and what happened to inflation. When inflation went up, the market went down 48%, commodities as a group doubled. While the market went down 48%, commodities went up from 100 to 200 to the CPI. Commodity Research Bureau Index doubled. Now, on an individual

basis, what was the best performing commodity? Silver. But that was artificial, because the Hunt brothers had-

Bill: Had to squeeze. Yeah.

Arnold: Tried to corner the market. Oil went up an average of 33% for the next nine years. Percent went up 30%, nope, oil went up 38% for nine years, and I'll send you the chart and [audio cut] went up 33%. Silver went up 56%, but that's not efficient, I think the average would have been 23% if would have gone to a normal price. [audio cut] In general, if you just bought an unweighted index or an ETF that would have gone up 22% while the market went down 2%. So, those people who want to hedge inflation, which would be a disaster for the market, and want to have an alternate investment, I would suggest that they look at the commodity market, but I wouldn't put it in one commodity, and I wouldn't buy the commodities. I would buy the stocks that work in that field, whether it's a coppermine, or goldmine, or silver, or farm, or any of the things that play to the commodity. I happen to think that the oil market will be a very good place to be, but again, you have to diversify. You wouldn't put all your money in commodities. You wouldn't put all your money in the market.

Bill: Yeah. I love that you're on the podcast talking about commodities, because we're so deep in the cycle where commodities have not worked. Now, I say that, over the past three months or so they have worked in a big way. I was checking out Freeport-McMoRan's stock price not that long ago, and I saw that's been one that's worked out very nicely. But recently, I was at Markel, and Bob Robotti among some other value managers were pitching commodity companies, and if I think through my own portfolio, I have some indirect lumber exposure, but I don't have much else. I think that it's been this market cycle where a lot of the mediocre companies from a business quality standpoint have just gotten so punished, that it would be hard to argue that I have not-- I thought about Freeport, maybe in 2019, and I just said to myself, I'm not going to get into that kind of business. If you look back at what the stock's done, maybe that was the wrong thought. Now, I am going to balance that statement against you've got to know where you want to play. But I think that part of markets is being able to adapt to what's coming next. So, how-- [crosstalk]

Arnold: By the way, Benjamin Graham, I didn't mention all of the quotes. I have about 40 quotes by Benjamin Graham, 16 of them are about character, courage, honesty, and so forth. But the other ones are about buying unfavored stocks, stocks in industries that everybody hates including the people in the fields. Oil, as an example, has been in a bear market since 2007, while everything else has been in the bull market, so you've got 13 years of bear market. My favorite milestone is when an industry is eight years in a bear market, that's the time you should be in it before that happens, because that's about the time it changes. There's many steps that make it recognizable that it's there, as Benjamin Graham said. One of the things is, when the people in **[unintelligible 01:16:39]** says, "Yeah, I know what's going up," like the lumber guy says, "but I'm not going to be jumping in there and building a plant, and then half the price go down, and I get stuck with the plant," which is what happened in the previous few years. People were drilling for oil and kept moving up and supply kept going up, and then it went down and then it was stuck. Once you get burned, you tend not to do that. So, it takes a lot of discipline to say to yourself, "Yes, I was wrong the first time. Yes, I was wrong the second time. But the long-term indication is that it's got to go up. So, I'm going to keep buying."

Bill: Yeah.

Arnold: Then, as long as you have a limit to what you put in so you don't bury yourself, if you're wrong then, it works out.

Bill: Yeah, I think the only wrinkle in the oil thesis, and I don't know how material it is, but it seems to me that shale is predicated upon cheap debt, which interest rates have driven riskier behavior in lending. So, at what point does the capital start coming back into the market, and with so many, my perception of the shale industry is a lot of it's private equity owned or through some limited liability companies, do people try to spin that up again?

Arnold: Sure. Which companies you're talking about?

Bill: I was just thinking about certain parts of Texas that I have sort of paid attention to, and I know somebody that worked in there. It seems to me that risk capital is sometimes the benefit-- or the amount of risk capital that's willing to go into the industry is what will be the supply constriction, because it doesn't take a whole lot to set up a limited liability company, and try to go raise a special-purpose vehicle or something like that.

Arnold: The risk capital is avoiding the equity market in oil because they've been burned so much, the banks don't want to lend, the customers are wanting them not to keep drilling, they want them to pay dividends and buy back stock. So, there's a lot of pressure on the oil industry at the time when they should be expanding the fracking and building it up. The fracking is actually going down. Well, the price is going up, it should be the other way around. But eventually it'll change. When people get convinced that the price is going to stay at a certain level, then eventually, money will come into the market, and people will build and so forth. But I think that's still a little ways away. But all of these are definitely-- There's always two sides of the coin. That's why you've got to read the bears, and you've got to read the bulls, and what I pay particular attention to is what percentage of the stock or industry is short? Because let me tell you something. I have a lot of respect for short sellers, even though they get hurt too. But usually they're much more thorough, they're much more disciplined, they have to know more about the stock, because there's greater risk. There's unlimited risk on the upside. So, when I see a lot of shorts in one of my stocks, it doesn't mean that I would sell it, but it makes me say, "Hey, somebody knows something that maybe I don't, and if I knew it, maybe I'd change my mind and be a short seller." I personally don't short. I don't believe in shorting only because I understand the way the mind works. I don't want to ever have my mind working on negative things, because what it thinks about or perpetuates. It's like Alan Abelson. He used to write for Baron's[?] for 30, 40 years. He said-- really astute observation, he said, "I never met a short seller who had a happy childhood."

Bill: Hmm.

Arnold: They're always negative. They're looking for the negative, and they take joy in the negative. But they're usually better security analyst, and the long guy. They has to be in order to survive. So, they really are a special breed.

Bill: I wonder if you could somehow circumvent the negativity by saying-- Let's say that you're exposing a fraud, and you could somehow frame it in your mind as I'm doing good for society by putting this fraud out of business. I wonder if that would be a way to mentally not get into the trap of focusing on the negative, but I don't disagree with you. I don't deal with short selling, because I don't think I'm good enough to do it. I find long only [crosstalk] to work hard enough.

Arnold: Oh, that's another reason I don't do it.

Bill: [laughs]

Arnold: I've only shorted once in my life, but what I got from it-- I had a friend of mine as a money manager, and I did everything I could to talk about a short selling. Not because you can't make money but being a hedge fund manager, being short and long, is probably the most difficult thing to do. I have all the respect for people who can do it, but I think over the long run, you can't do it. The reason is, you're dividing your subconscious mind. There's parts of you saying, I want the economy to get worse, and I want the stock to get worse, and on the other part, you're saying, I want the economy to go up, and I want the stock to go up. So, your subconscious mind is divided. What it works on if you understand the subconscious mind. Three things that govern a subconscious mind. Repetition, repetition, repetition. Visualization, visualization, and belief. What do you believe, if you're tightrope walking, right?

Bill: Yeah.

Arnold: A little bit one way or the other and you go over. So, I don't think that somebody who's a student of the subconscious mind would ever be a hedge fund manager. However, with all due respect to them, there's a lot of great hedge fund manager, and I have all the respect in the world, especially knowing that they are fighting their own mind. That takes a lot.

Bill: Yeah, that's interesting that you say that. I've gotten to know a couple through actually, this podcast and whatnot. It's a skill set that I have admire and not, I don't want to say admiration, but I really appreciate what they do. It's just not what I'm going to do with my own capital. I've got enough problems being long only, as I said.

Arnold: I think the way to do it is to be a value investor. By the way, that doesn't mean you don't buy growth stocks. In an environment like we are today, a third of our portfolio actually is in nontraditional value stocks, which you would consider growth stocks. They're not ridiculous multiple relative to the interest rate. They're not ridiculous kind. But if I didn't have that low interest rates, I would not be in it.

Bill: Yeah. Honestly, when I look at my portfolio, I'm doing the same thing. I look at certain names. I think Disney has a name right now that in a different interest rate environment, I would probably be selling, but rich today in a great asset base, and where they're, I think they're going, I'm comfortable holding now. Somebody that is maybe more purist than me might say, well, you're bound to get lower

returns from here, and what I would say is, not from where I bought it, and I like the asset and I like the strategy.

Arnold: I think that's the right approach.

Bill: I post forward some return. That's okay.

Arnold: By the way, Bill, I have been collecting notes in the subconscious mind for the 45 years. So, when you asked me to present in this program, I said to myself, if people are interested in the subconscious mind, in a couple of minutes, what I want to tell? Because it helps, as Teddy Roosevelt says, "In everything you do, I don't care when you want to lose weight, or you want to gain weight, or you want to run track, and you want to go for the Olympic, you want to go for some achievement. You have to use the subconscious mind." So, if you mind if I give you a couple of-- [crosstalk]

Bill: No, I'd love it. Then, I want to talk about your mother's foray into the garlic commodity market, after we talk about the subconscious mind.

Arnold: Okay, well, that's part of it. Okay. So, incredible quote. It's so profound that every time I read it, I think, "Wow." Sir Arthur Eddington was one of the most prominent and important astrophysicists of his time. He made several significant contributions in the area of physics. He was one of the first physicist who understood the early ideas of relativity along with Einstein. So, he was a peer to Einstein. You don't get any closer than that.

Bill: Oh, that's pretty good company.

Arnold: Sir Arthur Eddington in his quote is saying, "I believe that the mind has the power to affect groups of atoms and even temper with the odds of atomic behavior." Now, think about that. That even the course of the world is not determined by physical laws, but may be altered by the volition of human being." Volition means the choice or the will of human being. So, right there in that one paragraph, he's telling you that he believes that the mind can affect groups of atoms, which affects in everything. Matter, thoughts, everything. So, that's one. Best of young, probably one of the greatest psychologists of the world among, let's call him among the top five anyway, claimed that, "The subconscious mind contains not only all the knowledge that is gathered during the life of the individual, but that in addition, it contains all the wisdom of past ages, that by drawing upon its wisdom and power, the individual may possess any good thing of life from health, happiness to riches and success."

Now, think about that. All the people who have discovered these patents, did they learn them in the classroom in college? No. They learned them by struggling to solve some problem and working at it, and all of a sudden, when they were relaxed in some form, the inspiration came to them instantly. Now, I have read-- I was even going to collect the quotation of all these people who discovered these patents and show that the way you get to solve a problem, if you work at it hard, you put it away, because you got to have the subconscious relax. Then, when you go to it, it comes to you. Let me give you an example. This is Bertrand Russell. You know he was the philosopher in England. "Work [audio cut] very intensely, then submit it to your conscious," the subconscious. "Speak to it lovingly instructing you to

work on solution, then go away from it. When you get back to it in a week or a month, you'll find that a lot of the work has been done.”

Now, that actually happened to me by accident one time. There was a group of people wanted me to give a talk about the subconscious, because they know how I used it in sports and my son, it was a college that had a marketing group, and so they asked me if I could give a talk. I made this talk called The Power of Commitment. That when you commit to something, everything changes. I had it pretty well worked out, but I couldn't get to the end of it. I struggled and struggled and struggled, and I was not satisfied with the end of it. Finally, one morning at 3:30 in the morning, I woke up and I wrote this, and I only changed one word. It was like somebody was dictating. I had a yellow pad, and it was just like somebody was dictating it to me.

Here's what it said. “Remember the thing that governs success in any field is determination. The ability to see something through to a successful conclusion. This is exactly where most people fail. The average person will get discouraged and quit many times short of his goal. What is the difference between an individual who doggedly hangs into it against all reason and hope? It's my belief through personal observation experience, there's no difference between the individual from a chemical genetic or intellectual standpoint. The difference is the person who's likely to give up at the first sign of hardship does not have a well-defined goal. If he does, he has not impressed it deeply on the subconscious mind. He may want it, but not badly enough to the point where he/she is willing to make it an all-consuming burning desire. Naturally, if it's a weak desire, it'll be sacrificed at the first sign of hardship. Only a deep commitment, a burning desire, and a sacrificial attitude towards that goal will be deep enough to make an impression on the subconscious mind. If that is accomplished along with the faith that it can be achieved, you will never lack drive or motivation. You will be pulled by a force that will drive you to work relentlessly towards that goal. It will no longer be necessary to force yourself to do the things you have to do. You will receive energy, you did not know you had. Because of these forces you, and you alone will have the power to shape your future.”

Bill: I got to ask you a follow-up. Do you think a good example of you implementing something similar in your life is when you wrote your wife the check that you didn't have the money to cash? Was that one of those moments that was a commitment to your subconscious mind?

Arnold: It's a belief. Yes.

Bill: Yeah.

Arnold: So, what happened, as I told you, my wife wanted to help me build a business, and without her, I couldn't have done it. She deserves all the credit. Nobody backed me more than she. Anyway, we were doing the bills, and every month, I was getting deeper in debt, and at that time, I was only grossing about \$50,000, which is maybe \$300,000 a year. But I owed \$120,000, which is equivalent to \$150,000. Every month, we're going deeper in debt, like the government. Only the government can print, and I couldn't.

Bill: [laughs] Which is unfortunate.

Arnold: So, we we're in trouble. Eileen said to me, "You know what, Arnold? I see you working day and night." She had tears in her eyes, actually. "What's the matter? You have tears--?" "Well, I see you're working day and night, every month, we're getting deeper in debt." She was writing the checks for the business. It's like, can I have one of those checks? Sure. So, I wrote out the check \$250,000 to Eileen Van Den Berg for something you might like. I said, "Now, don't cash it this week. But one of these days, you're going to be able to cash it." There was no doubt in my mind that I was going to be able to do it, and that it was going to happen. It was subconscious. Once you have a subconscious belief, you'll take it to your death. That's what people do. They'll take it to their death. So, that's what you've got to do whatever you want to do, but you've got to make sure it's the right thing, because you don't want to have that kind of will for something that's not going to work out for you, right?

Bill: [laughs] Yeah.

Arnold: You got to have the right principles.

Bill: Let me ask you, a lot of a lot of what we're talking about with the subconscious mind, and what we have talked about reminds me a little bit of-- Were you familiar with the program, The Secret, that got popular a little while ago?

Arnold: Yeah. [audio cut]

Bill: That seemed to jump the shark for me. What are your perceptions on whether or not that was true, or whether or not that was marketed in a way that wasn't right? Because I do believe in some of this subconscious stuff. I think that from my perspective, I have done pretty well in investing. I have to be honest about that.

Arnold: Don't be ashamed of it. [laughs]

Bill: No, no, I'm not. Sometimes, I worry whether or not I've gotten a little loose with my principles on it, but I do think closer to reality is my wife says that I'm incredibly hard to live with, because I'm just obsessed with this stuff, and I think sometimes she wishes that I could just let it go. But I think it is constantly thinking about it is what is [crosstalk] the result.

Arnold: Exactly. Well, just the thing about The Secret is, that the principles are correct, but it's an abuse of the principles, because-

Bill: Yeah, this taken too far.

Arnold: -first of all, the subconscious mind will do anything you want it to do, but it takes time. When you get people in a room and you charge them hundreds of dollars, and tell them here's the principles, hell, those principles been around for thousands of years. There's nothing new in The Secret, just the way they package it. So, that's number one. I would give that information away free, because it can change people's lives, and I don't even want to get paid for that. That's not important to me. But they

use it as a marketing ploy. The second thing they did is they made you believe that all you had to do was create a vision board, and you visualize it, you repeat it to yourself, and lo, one day you wake up, and there it is. Now, that's *bubba maisa*.

Bill: [laughs]

Arnold: You see, that's where you use that word, it's appropriate.

Bill: Yeah.

Arnold: Now, the principles are not *bubba maisa*. You know, if I told you, if you get out, do 100 pushups a day, you do it for so many days, you're going to wake up with x number of muscles. Yeah, that's right, but how many people are going to do what you tell them to do, right?

Bill: Yeah.

Arnold: So, none of these things are packaged the right way. That's number one. Number two, the intention of the individual who is selling it is also important. Because what happened, he actually hurt the cause more than he helped it, because he exposed it that he was a sham.

Bill: Yeah.

Arnold: Okay? Now, people saying, "Oh, yeah, I've heard that stuff before. It's BS." No, it's not BS. But it takes time, and it takes discipline, and it takes hard work. That's the real secret.

Bill: Yeah.

Arnold: It's not easy. Nothing is easy. Look, I give you a guy that studied the subconscious mind for 50 years. Here's what he said. "In the year of your life, you have a creative power. You can make a mental image, or a blueprint of the progress and expansion you want to achieve, and by impressing the content of your objective upon your subconscious mind, you can cause the condition you visualize your mind to be created. Creative energy is the self-induced action of mind upon itself, and within itself. The force peak time all progress and achieving is energy. You can have anything you want providing you're willing to pay the price."

Bill: Yeah.

Arnold: JK Williams, guy who studied the subconscious for 50 years. Amazing man.

Bill: Problem is most people, they ignore that part of the closet says, provided you're willing to pay the price, right?

Arnold: [audio cut] anything you want to pay the price. Now, here's a cute way to emphasize that. I can do it in 30 seconds. There was a woman, she started the foundation of Christian Science where they

believe in curing people through the mind. They don't need doctors and all that. Well, I'm a big fan of Mary Baker Eddy. She was an incredible woman. She had so much faith, that she can literally cure people by touching them and healing and pointing in the direction. She thought everybody else could do that, too, but they can't. But there are a lot of people who are followers that can do that. Well, anyway, she had the belief that you literally could create everything in your life, and she did. She started this foundation, the Christian Science Church, which I have a lot of respect for. She started it in her bedroom. Yeah, you could create it, you can do it, but it takes time, it takes work, it takes disappointment, it takes everything. Now, you want to know about my mother in-- [crosstalk]

Bill: Yeah, well, yeah, the garlic commodity. I think that-- There's two things about your mom that I think would be cool to share. One is that story about how she found herself in the garlic trade, and the second was, you had said to me that she could sell anything to anybody, but you needed to sell something that you really believed in. You know those two stories, I think if there's a way to weave-- [crosstalk]

Arnold: Okay. Well, the way it started is, I graduated from high school, barely. I think the only reason I graduated was because I was a good athlete, and the coach was helpful in that respect. [laughs] But anyway, now just to show you the way people looked upon me, one of my good friends in high school, signed my yearbook, he says, "Arnold, you're about the coolest guy, you know. I hope we'll always be friends. You're kind of dumb, but you're still cool."

Bill: [laughs]

Arnold: So, people saw me the way I felt about myself that I wasn't terribly smart. But anyway, I was sitting there after high school, and now what am I going to do with my life? I've been thinking about rope climbing all during that time. That's all I thought about. So, I looked a little depressed. My mom goes up to me. "Arnold, you look a little depressed" I said, "Well, I am." She says "So, why were you so depressed for?" I said, "Well, mom, everybody tells me that if I don't go to college, I can't be successful, but I don't want to go to college, because I'm not good at studying, and I don't do good in school." She says, "What? Listen, [audio cut] the world." There's the businesspeople, and the yeka I said, "What's a yeka?" She said, "A yeka is a guy like your dad. Ask him any question. [audio cut] at the Mathematics, Philosophy, English, History, anything, he can tell you. Can he make any money? Nothing. Nothing."

Bill: [laughs]

Arnold: She said, "Now, you ask me. Do I know about philosophy? Do I know about religion? Do I know about all of these other things? No. Do I care? No. Do I care about making money? Yes. Money can make money anywhere, even in Auschwitz." So, I said, "What do you mean you make money in Auschwitz?" She said, "Well, when I got to Auschwitz, I looked around, it looked pretty dismal. Everybody was skin and bones, and they were feeding us watery soup with a little bit of potato. So, I asked the people there. Is this all they feed you?" "Yeah, that's why we're so skinny." She said, "How long you been here?" "Six months, nine months." She says, "I didn't meet anybody that was there for more than a year." So, she said, "I figured out that I'm not going to survive more than a year. In this I figure out a way to get some more food. So, I put my mind to work, how can I make some food? I got to

thinking the guards were all around us. Maybe if I had something that was really quantifiable, that was valuable, maybe I can make a deal with the guards. But that took some courage, because if you pick the wrong guard, you're in the gas chamber, right?" So, she said, "I studied the guards, and I looked for the guys that were kind of old, shoulders were kind of drooped. They had a potbelly. They didn't shine their shoes, the uniform didn't look too sharp. I figured, that's a guy that [audio cut] maybe make a deal with."

The other thing I looked for is, did they have any humanity? I could tell the guy was weak, by the way he carried himself, but I didn't know whether they had any goodness. So, I watched the guys who once showed a little break, give somebody a break when the other guards weren't there, or did something human. Then I said, this guy's weak and he's got some good in him. He's my man." Then, she went to the girls, when you come in, they take your gold out of your teeth, they take your wedding rings, you take your watches, they put it all in a pile, they have huge pile of gold and precious metals, and then there are guards standing here with machine guns, and then you had to separate them. Well, nobody was willing to take the risk of pilfering those things, because you get shot or get thrown into gas chamber. So, she talked to the girls and said, "Listen, if you guys can sneak out a few diamonds--" [audio cut] They said, "Monya, what are you going to do with a diamond in Auschwitz?" She said, "That's my job. You get me to diamond, I get your medicine, and get your food, get you anything you want." So, the girls said, "You're crazy. We're not going to do it." Finally, one of them said, "Monya, I'm going to do it."

So, anyway, she started trading in that, she walked up to this guard and said, "Does your wife like diamonds?" What kind of question is that, right?

Bill: [laughs]

Arnold: He said, "Well, of course." She said, "I appreciate you being nice to us, so I'm going to get you a diamond." So, she gave him the diamond. She didn't ask for anything. The next day, he said, "Monya, my wife was so happy with the diamond. What can I do for you?" She said, "Well, I'd like some food and medicine. I've got to give that to the girl that got me to diamond." He said, "Okay." So, they started trading back. Then, the other thing that came out in Eastern Europe, the Russians use garlic as an antibiotic, like penicillin. The garlic has 70 properties of healing. It's one of the greatest healing things. The Russian army uses garlic as a penicillin. So, that became a valuable thing in the concentration camp, because when people got sick, they wanted to use the garlic to get better. There's no medicine. So, people started asking-- So, she started trading garlic and the lady that is still alive, who I just talked to a few weeks ago, had told me in the past that your mother started trading garlic and all night long people would come up, can you get us some garlic? Can you get us some garlic? She would hoard the garlic while my mom was out doing business. So, she started marketing garlic. She told me that my mom made the marketing garlic. If you want to get garlic for as a prisoner, you had to go through Monya.

Well, my mom got so good at it, that she smuggled-- She had a German guard from the men's prison smuggle food from the women's prison to the men's prison to my dad, smuggle food through a German guard who she brought off. One day my dad sitting there, and this guard looks at him and he told us

buddy, "Uh-oh, this guard is looking at us. That's never good news." So, he finally came up to me and said, "Are you Hugo?" He said, "Yes." He pulls out his briefcase, "I have a present for your wife." He said, "For my wife?" He said, "Yes, isn't her name Monya?". He said, "Yeah." He says, "Well, she sent you some food." He didn't know what to think, he thought maybe the guy was playing a trick on. He said, "By the way, what is your Hebrew name?" My dad said, "Haim." My dad says, "Can I ask you why you need my Hebrew name?" He said, "Your wife doesn't pay us until we have proof of delivery."

Bill: [laughs] A good businesswoman.

Bill: Now, you know a little bit about the kind of woman she was.

Bill: That's right.

Arnold: He said, "Only Monya could pull something off like that." It was just unbelievable. But she was fearless. She really was fearless.

Bill: You know another story that I thought you've told me that I really think demonstrates the power of the mind is, when you said that your dad saw, was it two or was it multiple really big strong guys? And they had passed away within a couple, what was it, months or weeks or whatever, but how long your dad made it versus they did not. I want to reduce it to just the power of the mind, because a lot of things happened there.

Arnold: Let me tell you what happened. There were a bunch of Russian-German soldier prisoners that they threw in our ships. They have no other place to put it. So, they were big strong guys. My dad was 85 pounds at that time. In addition to that, they could lay out a little blanket, supposed to sleep in the snow when it was subzero weather, and they would be fine. My dad got to talk to him says, "Man, you guys are really strong. It's just amazing." My dad says, when he went to shovel, he was so weak that when the dirt was mud, you know how hard it is to pick it up with a shovel when it's wet. These guys were going like this. [imitates shoveling] So, the guy was asking him questions about it. He says, "Look, don't worry about it. You're going to survive. The war will end one day. The strength that you guys have, don't worry about it." He thought they would last forever. He's well. After about five or six months, they looked like him. They were just skin and bone. They lost her strength. But more importantly, they lost their will. And that bothered my dad for a long time. How come these guys don't have the will? Turns out, most of them were single. They didn't have wives. They didn't have kids. They didn't have anything to want to put up with that kind of torture.

Now, the real secret came that my dad said the thing that made it click for him is that he had a friend of his, and he said, "Hugo, I finally figured the German scheme out. There are going to starve us and work us to death to get the maximum work out of us. Then, they're going to gas us when we can't work anymore, and then they have a new crew come in." The trains will be coming in all the time with more new Jews. So, he said, "There's no point in us putting up with this torture of standing in subzero weather, in roll call for hours at a time, working into cold, sleeping in the cold, starving all-- What's the point?" My dad said, "If you speak that way, you're not going to be able to make it." He said, "I don't care. That's it." [audio cut]

Bill: Hmm.

Arnold: What kept him going was-- now, if you talk to Viktor Frankl, who was a psychiatrist in Auschwitz, he was on the death march, same death march my dad was in, but they didn't know each other. But on his book, *Man's Search for Meaning* on page 73, I'll never forget it. He said that he was on the march struggling away, and one of the guys next to him said, "You know what, Victor? I wonder how our wives are doing. I hope they're doing better than we are." He said, "That got me to thinking about my wife." He said, "As I thought about it, the more I thought about it, I got the feeling she was actually there. We carried on a conversation. I saw her smile. It was just like she was there. A thought transfixed me. For the first time in my life, I realized that the most important thing in life is to experience love, and to be able to receive and give it. Then, the thought occurred to me that even in a desolate place like Auschwitz, a man can experience pure bliss in the contemplation of those they love." So, that's the secret. It isn't the strength. It isn't the will. It's the love that gives you that strength. These young guys didn't have that.

Bill: Yeah, I'm trying to figure out how to ask this question without minimizing the power of that statement. I think my question is, this is an investing program and the majority of the people that listen are younger males. not young, but 40 and under. Inevitably, there's going to be down periods in careers. Inevitably, there's going to be--

Arnold: In life.

Bill: That's right. How have you been able to apply some of these lessons and get yourself through some of life's worst periods, and then also some of the investment underperformance? What advice would you give to young people, is it find love, is it worth on your mind, is it a combination of all these things?

Arnold: I think the first thing you have to do, and I can give people plenty of reasons. The first thing you have to understand is what's the most important thing in life. When I first started in the investment business, it was good performance and make money. That's what clients want. That's the most important thing. Then, as I evolved, I realized that it was a lot more to it than that with the subconscious mind. Then, I realized, there's a guy named Samuel Montague, who studied, what makes people happy for 50 years. They asked him, "Why would you spend 50 years studying what made people--?" He said, "Because I was so profoundly unhappy."

Bill: [laughs] Yeah.

Arnold: [laughs]

Bill: I don't mean to laugh. It's sad, but it's true. It's a very honest answer. Yeah.

Arnold: Having said, yeah, it makes more sense--[crosstalk] So, he said, the one thing I've learned-- He studied anthropology, psychology, social, everything to do with human beings. He said, "The single

most important thing physiologically, is that a human being needs love.” He said, “I can show it in your x-ray, in your bones, and in your body. If you don't have that, you don't have much of anything else.” So, when I came to the conclusion that was the most important thing, then that became also a focus of mine. When you study the ingredients of love, it isn't just romantic feeling or anything else. It's a lot of the things that makeup character. If you read in 1 Corinthians 13 chapter, which you hear at every Christian wedding, that “If speak with the tongues of man, and have not charity or love, unlike clanging cymbal and an empty gong, and though I [audio cut] my goods to feed the poor and have not left, I'm nothing. Until I learn all the prophecies and can do everything, and so on and so forth, and have that love, I'm nothing.” But here, ends the three things. Faith, hope, and love, the greatest of these is love. But in that chapter, he talks about all the ingredients of love. There are nine ingredients of love, patience, courage, a lot of the things you see in character. So, character and love are intertwined.

A young guy, I would say, whatever my career is, I would practice discipline, athletics, I would do athletics, whether it's in your home or your gym, I use yoga, I think it's one of the greatest things you can do, but that's my opinion. I would study the subconscious mind. I would practice love. So, how do you practice love? Samuel Montague said, “Now, comes the crucial question. What if you're not as loving a person as you have it in your ability to be. Then, you act like a loving person. It's not what you say, it's not what you think, but it's what you do.” Once you do that enough, you'll wake up one day, and find out your loving person. So, you practice discipline, you understand the human mind and the body, and you practice love. All of these things will just expand the horizon. It's just wonderful. Part of love is forgiveness.

By the way, that was the hardest thing I had to practice. Forgiving the Germans, they killed 39 members of my family and put my family through hell. That's not an easy thing to do. But through work on my mind, I forgave them. When I forgave them, it was like a weight lifted off. Because let me give you a reason why. You have 12,000 to 70,000 thoughts a day. Think about that. If you're angry, you're feeding your subconscious mind negative thoughts. If you're resentful, you're feeding your brain, negative thoughts. But if you forgive them, you actually start to love them. One woman who was a very spiritual woman who I met was this mother of a friend of mine from high school are still friends. When my wife left me for another guy, which as you know, as a male ego, that's not an easy thing to swallow. I was very upset about that. She said, she wrote me a letter, and it's one of the most beautiful letters. It took me 20 years to appreciate it. I give it out to anybody who's gone through a divorce, or breakup, romantic breakup, and there's even a quote by Carl Jung, which I wish I would have known. “Don't hang on to the person that's leaving, because it keeps you from meeting the one that's coming.” That's So, you have to clear your mind. You have to forgive. She said, if you pray for her, you'll be able to get rid of your anger, because when you pray for somebody, it's like being grateful. You can't be unhappy if you're grateful. So, it's a discipline. She wrote that letter, and I was even going to write her back, and I thought, this woman has lost her marbles.

Bill: [laughs]

Arnold: She wants me to pray for her. Her[?] new husband. You got to be out of your mind. But she was right. When you pray for somebody that you're angry at, it actually gets better and better. I know it

sounds counterintuitive, but if you understand the subconscious mind, you know that what you're doing is rewiring your subconscious mind. So, all of these things are tied in together.

Bill: Yeah. No, it makes sense to me. Is there anything that you've prepared that you want to touch on before we wrap it up? I've enjoyed talking to you so much through the preparation. I've enjoyed this conversation so much, and I think it's got a lot in it for people to digest, and I know that you were very concerned about delivering a message to the listener of this program that they could change their life for a positive direction, I think you've given it to them. So, I want to make sure that we cover off on everything, and also, if people want to find you, how can they do that?

Arnold: Well, I can send you my contact information-

Bill: Okay.

Arnold: -and you can give it to them.

Bill: Okay.

Arnold: Bill, when you asked me to be interviewed, I thought I always think when I give a talk, because I gave talks to middle school where they bring me in to teach about The Holocaust. I have a whole program called Lessons of The Holocaust. The one thing I always want to say, there were people in my life who taught me things or showed me things that if they hadn't done my life, wouldn't it turn out this way. So, I thought, in my wall, I have all of the most influential people in my life. It's about 15-, 20-foot wall, and I have all their pictures hanging on the wall, because I don't want to ever forget the lessons they taught me, plus the love that they showed for me. I always want to do that for other people, because sometimes it's just a little thing that can change your life. As I was preparing for this program, I said to myself, when it all comes to, like you say, the bottom line, what is it I want to teach you? If I can have the 30 seconds to say it, I can say it very quickly.

Bill: You can take all the time you want.

Arnold: Okay, well, first of all, every human being, irrespective of whether they've done well or didn't do well or did well and want to do better. The subconscious mind has such an incredible potential, that it has greater potential than most computers in the world. That's number one. But it needs to be taught and focused and guided and cajoled, promoted. That's number one. Number two, the subconscious mind expresses itself through your body. When you're feeling pain or you're not feeling good, it's because of thoughts you had before what happened to your physical body. Matter of fact, Candace Pert, one of the greatest biologists of all time, who just recently died in the last five years, said, "By all means, a thought can change your body." So, when you talk about health and sickness and all that, the most important thing is that what you put into mind and you're doing it 12,000 to 70,000 times a day. So, make sure you put it-- On the computer, they say garbage in, garbage out, that's with your thoughts. Put good thoughts in there and good thoughts will happen. That's number one.

Number two, your instrument is not only your mind, it's your body. The body and the mind are connected. In Chinese medicine, they don't separate the mind and the body. They're one. Matter of fact, I was talking to an acupuncturist. My daughter's an acupuncturist. She is a doctor in Chinese medicine. She referred me one time to meet with this acupuncturist, Chinese gentlemen, and I said, "What do you people do about the psychology, the mind and all that?" He says, "We don't have psychologists." He said, "Your mental state is reflected in your body, and when your body is not acting well, it means you're not thinking well. That means one of the acupunctures, the chakras are blocked in, and so it's like a dam, if it gets blocked up, and you release it, the water keeps flowing, and then the body corrects the mind and the mind corrects the body." So, that's been my experience. Whatever you're experiencing the body, the subconscious mind has a way of talking to you, and it talks you through your body.

So, if you improve your body, you're improving your mind. When you improve your thinking, you're improving your body. So, you are a precision instrument, and you've got to decide how you want to use it, what you want to accomplish. Mary Baker Eddy had a great way of explaining that. She said, "Life is like going to a vending machine." You go to the vending machine, you've got 20, 30 items, the first thing you have to do is, what do you want? All those 30 things, you want the Coke, you want the candy bar, you want the fruit, what is it you want? Until you decide what you want, you can't get it. If you put in 75%, you're not going to get it. If you put in 25%, you're not going get it. If you put in 99%, you're not going to get it. You have to pay the full price. Once you decide what you want, and you pay the full price, you've just got to pull the handle. And there it is. That's it.

Bill: It's good stuff. I appreciate it. I appreciate your wisdom, I appreciate your time, and I've really enjoyed getting to know you. I appreciate who you are as a human, man. I don't know too many people that could have gone through what you went through and come out the other side a positive individual. I think you're the exception to the rule.

Arnold: Well, you know what? I'm the exception to rule, because I've met exceptional people who made a difference in my life. Starting off with my coach and many other people through my life. People like you who are willing to take the time to get this information to other people, that's my pleasure. So, it's my pleasure to serve you, and I hope that some of these thoughts will rub off on your audience.

Bill: As do I. Thank you again, and we'll talk soon.

Arnold: Okay, Bill. Thank you.