



May 4, 2009

Gabelli and Munger on the Economy, Markets

“Woodstock for Capitalists” – the annual meeting of Warren Buffett’s Berkshire Hathaway – has been going on throughout the weekend in Nebraska, and Buffett’s comments have already made a lot of headlines. (More on those comments later today.) But Buffett isn’t the only one dishing out pearls of investment wisdom at the Omaha event.

In separate interviews with CNBC, Mario Gabelli and Berkshire Vice Chairman Charles Munger – two Buffett fans who have compiled tremendous track records of their own – offered interesting takes on the market and economy.

Gabelli said he thinks the government’s stimulus will work, and that, if that is the case, stocks are a good place to be. “If I have money in cash I obviously am earning 1%,” he said. “I know that ... an unintended consequence of the stimulation is going to be an acceleration in inflation – if it works. If it doesn’t work then you’ve got to sit on cash. But I’m assuming it works. And I think there’s a lot of reasons why I think both fiscal and monetary policy are going to work on a global basis, with a lot of speed bumps.”

“You go back 10 years ago, the market’s down,” Gabelli added. “And if you look at the last hundred years in investing, there’s only been one other decade in which the market was down, and that was in the ’30s. So I’m in a camp that says over the next ten years ... the market will probably grow 7 to 9 percent. And that’s a very good place to [be].”

Gabelli stressed that it’s a stock picker’s market. “I’m not buying the market,” he said. “I’m not buying an ETF. I’m not buying what Bogle or Brennan came out with. ... I’m picking specific companies, specific stocks – and there are bargains out there today. ... Today, you still have a lot of companies selling well below cash values.”

Munger, meanwhile, had a lot to say about the economy and the government’s actions in trying to steady it. He thinks the U.S. is on the right path, and called some of the government’s policies – like those involving Fannie Mae and Freddie Mac – “stunningly correct and stunningly effective”.

But he also says the handling of the auto industry’s woes has been a different story. He thinks that plans that would work are too drastic to gain political traction, and that the plans proposed so far don’t do enough to rectify the situation. Munger also says that proposed “cap-and-trade” efforts would be “monstrously stupid” at this time. It would be a huge shock to the economy and wouldn’t accomplish much.

And, Munger says that the current crisis occurred as “evil and folly ... crept into our system in steadily increasing amounts”. Removing that evil and folly will be hard, he says, because those who caused it have a lot of political power.

Mario J. Gabelli is the Chairman and Chief Investment Officer – Value Portfolios of GAMCO Investors, Inc. The views expressed in this article reflect those of Mr. Gabelli only through May 4, 2009. Mr. Gabelli’s views are subject to change at any time based on market and other conditions.

For more information, visit our website at: www.gabelli.com or call: 800-GABELLI
800-422-3554 • 914-921-5100 • Fax: 914-921-5118 • info@gabelli.com
Distributed by Gabelli & Company, Inc. One Corporate Center, Rye, New York 10580
Reprinted with permission from the Guru Investor – <http://theguruinvestor.com/>