

The Disciplined Investor Podcast – Guest Interview Summary

Guest: John Pugliano

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Quick recap

The meeting began with casual conversation about Fourth of July plans before transitioning into a discussion about industrial digitization and its impact on various sectors, including manufacturing, agriculture, and energy. The conversation explored how technology companies are expanding beyond their original industries and examined the evolving nature of jobs in the digital age, particularly focusing on automation's impact on both blue-collar and white-collar positions. The discussion concluded with an exploration of future technologies like robotics and medical wearables, along with John's concept of "wealth studying" as a modern form of homesteading that emphasizes investing in appreciating assets.

Industrial Digitization: Transforming Manufacturing

John discusses the concept of industrial digitization, explaining that it's an extension of the digital transformation process that has been ongoing for decades. He predicts that manufacturing and complex labor, including mid-level management roles, will be increasingly digitized. John and Andrew explore examples of this trend in agriculture and the oil industry, highlighting how technology has revolutionized processes like farming and oil exploration. They note that these advancements have significant economic and geopolitical implications, such as the United States becoming an oil exporter.

Tech Expansion and Nuclear Resurgence

John and Andrew discuss the evolving nature of tech companies, citing examples like Amazon and Tesla, which have expanded beyond their original industries. They explore the concept of digitization across various sectors, including the resurgence of nuclear energy. Andrew suggests rebranding nuclear energy as "new clear energy" to change public perception. They also touch on the historical context of nuclear energy in the US and France, and its potential future role in meeting increasing energy demands for data centers, electric vehicles, and industrial growth. The conversation concludes with a discussion on investment opportunities in less obvious areas related to industrial digitization and small modular nuclear reactors.

Digital Transformation Across Industries

John and Andrew discuss the digital transformation of various industries, highlighting examples like Airbnb and Uber, which have revolutionized lodging and transportation by connecting consumers with service providers through apps. They explore how this model could be applied to other sectors and discuss the impact on traditional businesses, such as the decline of taxi medallion values in New York. The conversation then shifts to potential future developments in medical wearables, with John predicting Apple's dominance in this area. They also touch on the digitization efforts of companies like Disney and Adobe's struggles to adapt to AI-generated content, drawing parallels to Kodak's failure to embrace digital photography.

Interest Rate Normalization Views

John discusses his views on interest rates, arguing for a normalized rather than artificially low rate environment. He believes that money should have a time value, suggesting annual returns of 3-4% are reasonable. John doesn't expect a return to extremely low mortgage rates, predicting that the real estate market will need to adjust. He also disagrees with comparisons to 1970s stagflation, stating that current economic conditions are vastly different from that era.

Modern Stagflation and Manufacturing Shift

John discusses the historical context of stagflation in the 1970s, comparing it to the current economic situation. He highlights that the US has transformed from an energy importer to an exporter, particularly in crude oil and natural gas, which is bringing dollars into the country. John and Andrew agree that while manufacturing jobs are not leaving the US anymore, the nature of these jobs is changing due to automation and digitization. They conclude that while some industries may still benefit from overseas production, it makes sense to bring advanced manufacturing, like chip production, back to the US for economic, political, and national security reasons.

Automation's Impact on White-Collar Jobs

John discusses the impact of automation and AI on jobs, particularly white-collar positions. He explains that decision support systems, now known as large language models, are replacing many mid-level management and entry-level professional jobs. However, he emphasizes that high-skilled positions, creative roles, and top-level management will still be needed. John suggests that individuals should focus on developing skills that are less likely to be automated, such as creativity, ingenuity, and entrepreneurship. He also encourages people to embrace new technologies and use them to enhance their own abilities, as this will help them stay competitive in the job market.

Robotics Future and Technology Trends

John and Andrew discuss the future of robotics and technology. They explore the potential for humanoid robots and compare it to the widespread adoption of drone technology. John suggests that robotics may merge with medical wearables, leading to improved healthcare through predictive monitoring. They also touch on the possibility of autonomous vehicles in emergency services. The conversation concludes with a brief discussion about the continued popularity of ham radio and Morse code.

Modern Homesteading for Wealth Building

John discusses his concept of "wealth studying," which he developed for his podcast's 11th anniversary. He explains that wealth studying is a modern version of homesteading, where one learns to work and live off their assets rather than the land. John emphasizes the importance of investing in appreciating assets to build wealth, regardless of currency fluctuations. He also notes the ongoing merge between analog and digital technologies in the business world, highlighting the continued relevance of traditional industries alongside digital advancements.