Casey Mullooly: Welcome back to the Mullooly Asset podcast. This is your host, Casey Mullooly, and I'm joined by Tom this week for episode 376. It's said that history doesn't repeat itself, but it often rhymes. We're big believers here that one of the best ways to think about what's going to happen in the future is to study what's already happened, and to study the history, specifically around markets and investing. So, in this week's episode, me and Tom take a look back all the way to 1980, and we talk about some of the biggest names in the investing landscape then, and who merged, who acquired who. We get a lot of the context surrounding that time period, and we bring it back and compare it to what's going on in today's landscape. Without giving too much away, without further ado, we're just going to get right into episode 376 of the Mullooly Asset podcast.

Casey Mullooly: So, we're going to take a walk down memory lane for you in this week's episode. We're going to take things back all the way to 1980. We're looking at a chart or a diagram of the top 10 companies in the S&P 500 dating back to 1980. So, this chart breaks it down in five year increments, so '80, '85, '90, '95, all the way up until this year, or last year, in 2020.

Tom Mullooly: What's the one thing that has been in common or been consistent from 1980 through now?

Casey Mullooly: That things have changed.

Tom Mullooly: Yes. But the one thing that has remained the same in all of this is the Mets are still terrible.

Casey Mullooly: We got a championship in there. We got one.

Tom Mullooly: We snuck a couple of World Series appearances in there.

Casey Mullooly: We got one in 40 years. That's not too bad of a record.

Tom Mullooly: I guess the message though, Casey, as you said, is that the only thing really consistent is change. Part of the reason why we want to talk about this today is because every now and then we'll run into someone or we'll meet someone who has the lion share of their investments in one stock like IBM or Exxon or Coca-Cola. By themselves, not bad companies, and they've been for a big stretch of time, superior investments. They're on this list, and they're on this list multiple times, but they're not on the list now. So you have to roll with the times in the sense that the leadership of 40 years ago may not be the leadership today. So, let's talk a little more about this.

Casey Mullooly: I also just want to mention that we're going to be talking about specific companies on this podcast episode, and these are by no means recommendations to buy or sell any of the companies that we're talking about. We usually try and steer clear of talking about specific companies on the podcast, but this one-

Tom Mullooly: We're going to be talking about a lot.

Casey Mullooly: ... we're going to be talking about a lot, and that's okay. But we just wanted to clear that up and make sure that this is by no means investment advice and this is just to illustrate our point, that things change over time.

Tom Mullooly: So Casey, in 1980, I can tell you, most of the oil was still being discovered. It wasn't all in my hair. Even though that's part of what I look like in 1979, 1980.

Casey Mullooly: Again, that was just rolling with the times though.

Tom Mullooly: That's right. So we were coming out of a period where we had several years of high inflation. We had OPEC. Suddenly people had to learn what is an OPEC, that it's an oil cartel. So we had recessions, we had increased prices of gasoline oil, inflation, OPEC.

Casey Mullooly: Inflation was crazy in the '70s.

Tom Mullooly: It really was. So when you look at the top 10 names in the S&P 500 by market cap by size, what do you find?

Casey Mullooly: Seven out 10 of the top 10 company in the S&P 500 in 1980 were oil and gas companies. Which the top 10 names that we're talking about, so seven of those 10 names were oil and gas. Those top 10 names made up 26% of the 500 other companies.

Tom Mullooly: Right. And today, oil stocks and in general represent less than 5%. Actually it's around 3 or 4%. Yeah. It's amazing how this sector, which was so dominant 40 years ago, is now just a fraction of what it used to be. But there is so much history in these names. I'm just going to read the top 10 names from 1980, and I want to spend time on these oil stocks. But from the top down, the largest company in the S&P 500 in 1980 was IBM, followed by AT&T and then Exxon, and then Standard Oil of Indiana. Then when I got into the business, this, I used to pronounce this company as Schlumberger, but now I know better. It's Schlumberger.

Casey Mullooly: Schlumberger.

Tom Mullooly: And then Shell Oil, Mobil. We said Exxon before, but we didn't say Mobil. So it's two different companies.

Casey Mullooly: Yeah. They weren't one yet.

Tom Mullooly: Then we had Standard Oil, which the long name, the proper name was Standard Oil of California. Then we had something called ARCO, which was Atlantic Richfield. People got to know their name because they discovered one of the biggest sources of oil in Prudhoe Bay, Alaska, and they built the Alaskan pipeline. And then the 10th name on the list in 1980 was General Electric.

Casey Mullooly: I've heard of them before.

Tom Mullooly: I've heard of them too. So these oil stocks. In 1980, these were top 10 names in the S&P 500. Five of them were oil companies, two of them were oil service or drilling companies. The five oil companies were Exxon, Standard Oil of Indiana. People are scratching their head like, what in the world is that? Shell Oil, Mobil, Standard Oil of California, and then you had Atlantic Richfield and Schlumberger. Schlumberger. So let's take these one by one. Standard Oil of Indiana merged with a company called American Oil, and they changed the name of their company to Amoco. And then Standard oil of Indiana, now called Amoco, about 20 years ago, merged with British Petroleum, BP, and now it's all called BP. Incidentally, BP, British Petroleum, got into the United States by merging with Standard Oil of Ohio. They used to be called SOHIO.

Casey Mullooly: So I just want to hit the pause button here on all these different Standard Oils. These were all the same company at one point.

Tom Mullooly: At one point, they were all companies that were controlled by John D. Rockefeller. I'm in the middle of reading Titan, which is Ron Chernow's book on Rockefeller, and it is a amazing. This guy controlled 85% of the oil industry.

Casey Mullooly: Right. So by breaking it up into the different states, that was a way, because this was the whole trust buster thing with-

Tom Mullooly: Correct. So this was part of the Sherman Antitrust Act in 1911. Standard Oil had to break on up all of these trusts and they all became separate companies. So Standard Oil, one company under John D. Rockefeller, became 33 different companies. And kind of like what we're seeing with AT&T and the Baby Bells, they're all coming back together all these years later.

Casey Mullooly: Yeah. I was going to say, AT&T wasn't AT&T in 1980.

Tom Mullooly: They were very-

Casey Mullooly: Or they looked very different, yeah.

Tom Mullooly: They looked very, very different. So, Standard Oil of Indiana became Amoco. They merged with American Oil. That's how they got their name change. And then they merged with British Petroleum about 20 years ago. British petroleum got into the states by buying or merging with Standard Oil of Ohio.

Tom Mullooly: So the next name on the list was Shell. Shell Oil company was acquired by Royal Dutch Petroleum, and they became, well, they're now called Royal Dutch Shell. Mobil, I think everybody now knows Mobil was acquired by Exxon, but Mobil used to be Standard Oil of New York. In fact, it used to be called Standard Oil Company, SOC, of New York, SOCNY. Not the sneaker company, but S-O-C-O-N-Y, SOCONY. So that became Mobil, and then Mobil eventually was acquired by Exxon, but that all happened throughout the '30s. They didn't merge until sometime around 2000, about 20 years ago.

Tom Mullooly: This is where the things really get crazy. Standard Oil of California, for many, many years, people just knew them as Standard Oil. But there was Standard Oil of Indiana, Ohio, New York, Standard Oil of New Jersey, which became Exxon. But Standard Oil of California, a lot of people shortened the name to either CALSO, SO for Standard Oil. So they would either call it CALSO, or sometimes they would call it SOCAL. So I'm saying so a lot, but SOCAL was granted the rights to search ... Back in 1933, Standard Oil of California was granted rights to search for oil in a little country called Saudi Arabia.

Casey Mullooly: Oh God.

Tom Mullooly: Yeah, in 1933. And they formed a joint venture with the Saudis and they called it Aramco, AR for Arabian American company. So Aramco, which the Saudis bought, they repurchased the ownership legally. It was a fair deal with Standard Oil of California through the '70s. So by 1980, that investment was now called Saudi Aramco. And Saudi Aramco by itself is one of the largest companies bar none, like in the world. So this started as an investment with Standard Oil of California.

Tom Mullooly: Okay. So we're not done. Standard Oil, or CALSO, merged with company called Gulf Oil in 1984. Now Gulf Oil was-

Casey Mullooly: How is this all connected? This is crazy.

Tom Mullooly: We're getting here. So Gulf Oil was involved because they were trying to buy Getty Oil in 1984, and they had a deal all sewn up. And then Texaco got involved at the last minute and tried to buy Getty, and a guy named T. Boone Pickens got involved. And when the dust settled, Standard Oil of California wound up acquiring Gulf in 1984. And after they did that deal, they changed their name from Standard Oil of California to Chevron. And then Chevron bought Texaco, which they were just involved with 20 years ago in 2000. And then they bought Union Oil of California, also called Unocal, in 2005. So in the span of about two minutes, I just mentioned 14 different oil company, and they're basically all Exxon.

Casey Mullooly: I was going to say, it's crazy how there's what, three or four big oil companies now it seems like. Everything is just wrapped up into these companies. And again, I think that that speaks to that time period in the '80s and early '90s. I mean, even today where we're seeing just a lot of companies merging together in the same spaces.

Tom Mullooly: One last comment I'll make about this whole period of the late '70s and the '80s. You know these companies-

Casey Mullooly: I know, we've got to wrestle the mic away from him. He'll just keep going.

Tom Mullooly: I know, I'm sorry. You know how these companies now merge and they come up with these names that don't mean anything or they don't have any, like where did that come from? So I'm thinking of things like Voya and Lucent and all these crazy names, like where did this come from? So where did Exxon come from? That was a boardroom decision. So the previous name of the company, Standard Oil of New Jersey, they used to call their product at the gas stations, it used to be called esso, E-S-S-O, but if you just sound it out, SO, Standard Oil, that was their stock symbol. So then they changed it to XON. That was their stock symbol. And now everyone started calling it Exxon. And that's how they got this new, sexy name that no one ever heard of. What's an Exxon? Nobody knows what in the world that is.

Casey Mullooly: Sounds futuristic.

Tom Mullooly: It does. It does. But yeah, so here we are today with all these companies coming back together 100 years after Rockefeller had to split them up.

Casey Mullooly: And now they only make up 3% of the S&P 500.

Tom Mullooly: It really is dramatic to see how that's happened. No matter what the price of oil is, these companies' market cap don't seem to get any bigger or smaller.

Casey Mullooly: Yeah. But now we see, you hear people say that data is the new oil, or information is the new oil. Fast forward to today in 2020, and the names we see represent that. We see Apple, Microsoft, Amazon, Google, Facebook.

Tom Mullooly: The next one on the list is Berkshire Hathaway, which is a mutual fund.

Casey Mullooly: We could do a whole nother podcast just about that.

Tom Mullooly: Oh, we can do four.

Casey Mullooly: As we're staring at a picture of Warren Buffett in our conference room here.

Tom Mullooly: That's right. Then you got Johnny Johnson, Proctor & Gamble, Visa. Visa.

Casey Mullooly: It's everywhere you want to be.

Tom Mullooly: Including the top 10 of the S&P 500, followed by Nvidia.

Casey Mullooly: Yeah. That was a surprise for me to see on there.

Tom Mullooly: Me too. So looking at this list of the top 10 names in the S&P 500 as of last year, I noticed there is not a single bank.

Casey Mullooly: I was just going to say the same thing.

Tom Mullooly: Yeah. And there are no oil companies. Exxon's not on here. They were for a long time. They hung in there. There's no GE. There's no Coca-Cola.

Casey Mullooly: Yeah. I mean, you look at Amazon, Google, Facebook, Apple, and Microsoft represent, what is that, probably more than 75% of the top 10. So Nvidia, Visa, Proctor Gamble, Johnson &

Johnson, and Berkshire Hathaway, while they're in the top 10, those other tech names just absolutely dwarf them in terms of size.

Tom Mullooly: And it's almost double counting because Berkshire Hathaway is an investor in every one of these companies. So, it's amazing.

Casey Mullooly: Yeah. I know we were talking before we turned the mics on about how Amazon is an interesting parallel to, we could say Standard Oil or some of these oil companies of the '80s, where they have ... Not just Amazon. Facebook, Apple, Google as well. They're facing some backlash in the regulatory space in terms of-

Tom Mullooly: Being maybe too big.

Casey Mullooly: Maybe too big, maybe monopolizing whatever certain areas that they're in. But in terms of Amazon, you look under the hood and they're classified as an internet and media service company.

Tom Mullooly: I think most people would think of Amazon as a retailer.

Casey Mullooly: Yeah. But you look under the hood and you look at something like Amazon Web Services, and that is a gigantic platform that a lot of other huge companies build their companies on.

Tom Mullooly: Netflix.

Casey Mullooly: Yeah, just massive.

Tom Mullooly: They run their files on Amazon Web Service. What's the other one?

Casey Mullooly: Pandora.

Tom Mullooly: Pandora. So they run their file services on Amazon Web Services. Now they pay for the use of that file space, but that has grown to be a gigantic part of Amazon's business. And it started out as a little website selling books, but they've become much, much bigger. So some people would argue that gee, Amazon, the traditional, the old part of Amazon that most people know it by would really count as a retailer. And honestly, if you're going to split these sectors up, you could have like traditional retailers, people who actually have stores, like Barnes & Noble, Bed Beth and Beyond, Macy's, and then you've got internet retailers and that's almost 100% Amazon.

Casey Mullooly: Right. I think it's tricky though now, because everyone has kind of both. But you even look at a company like Apple, where they have their app store, which faced some scrutiny in the last couple of weeks, where they're pretty much monopolized. Well, they created the app store because of the iPhone and iPads and all the technology that they've made. But now these creators want to have other options besides listing their products in the app store. You look inside these tech companies and I wonder if in the next couple of years, these things are going to get broken out and then we'll see something like the oil companies of the '80s, where all of these companies get broken out and then maybe re-formed in the future into something completely different.

Casey Mullooly: I know we don't want to get too far into making predictions, but one thing that I do feel confident about predicting is that in another 40 years, none of the companies that are going to be on that list have even been created yet.

Tom Mullooly: Sure. And if we were to go back to ... This list starts with 1980. If we were to go back to 1940, it would be a completely different list before that. So a lot of these oil stocks were probably not there, but interesting to see some companies pop up on the list in between. Between 1980 and 2020, some companies popped up on the list and then they dropped off. We didn't see them anymore.

Casey Mullooly: AIG 2000, 2005.

Tom Mullooly: Okay. Let's talk about that. AIG was one of the 10 largest companies in the S&P 500.

Casey Mullooly: Too big to fail.

Tom Mullooly: And it was in the Dow Jones, and this stock essentially went to zero before they did like a three million to one reverse split to get it back on its feet. But yeah, this thing was left for dead on the side of the road in 2008. Look at in 1990, one of the names in the middle of the list around number five was Bristol Meyers Squibb. Now Bristol Meyers, which was a drug company, and Squibb, which I'm probably going to get some comments about this, but Squibb was a toothbrush company. I mean, they made consumer products in the healthcare space. But I mean, a lot of people my age had Squibb toothbrushes because four out of five dentists recommend them. But they didn't make that list until 1990 when Bristol Meyers acquired Squibb. So when you put the two companies together, that's how they got on the list. So, pretty interesting. I think that's also the first time that we saw Walmart on the list.

Casey Mullooly: Yeah. And Coca-Cola.

Tom Mullooly: That's right. Now Microsoft did their initial public offering in 1986, and less than 10 years later, they were already one of the 10 largest companies.

Casey Mullooly: Yeah. Interesting to note that and compare it to Apple as well, because when did apple IPO?

Tom Mullooly: I believe it was 1984. And interesting to note that-

Casey Mullooly: Okay. So even before Microsoft.

Tom Mullooly: When Apple was going through their IPO, the state of Massachusetts, their securities division banned purchases of Apple because it was too speculative.

Casey Mullooly: Interesting.

Tom Mullooly: They couldn't recommend it in Massachusetts because it was too speculative.

Casey Mullooly: Yeah. But Apple didn't crack the top 10 until 2010. So it took them 30 years, but it only took Microsoft less than decade.

Tom Mullooly: Yeah. Microsoft had products that were going straight into the IBM personal computers and they just skyrocketed. And you look at Apple, such great technology and beautiful products, but they messed around through the '80s and '90s with all these crazy projects. They came out with the Lisa, which is now called MacBook Pro. They came out with the Newton, which was essentially Palm Pilots, now looks like an iPad. They came out with all these crazy things. They just couldn't get any kind of traction. The first iPhone came out in 2007, not that long ago. For me, that was like yesterday.

Casey Mullooly: I know. I did a video, I think it was two weeks ago, a couple weeks ago now where I was talking about the iPhone 3 and how it debuted in 2008, and now we have the iPhone 13. I mean, the three was basically just a brick, but at the time it was the hottest thing. It's just, again, the whole theme of this episode is just things change. It seems that things are changing faster than they did in the past, but I guess that's not necessarily true either. So, really interesting chart to a look at. We'll definitely link to it in the show notes. If you're at all interested in market history, this is a great place to just go and look at the different logos and the visuals that are on this chart, on this website. I think we could probably talk about this for another ... We could probably all day in here.

Tom Mullooly: Honestly, I'm going to start repeating myself, but it was eye popping to go to that 1980 list and see Standard Oil. And it was Standard Oil of California. And then there was Standard Oil of Indiana, and then it was Exxon, which used to be Standard Oil of New Jersey. And then Mobil, then Shell, then Mobil. All these companies. I was like, "Oh my goodness, this is" ...

Casey Mullooly: I knew you were reading the Rockefeller book and I saw this and I saw what it looked like in '80 and it was too good to pass up. It's important to remember that if anyone tells you that something is guaranteed to happen in the next decade plus, run the other way. Just don't believe that. No one knows what's going to happen. Nobody knows what companies are going to stick around, what the investing environment or corporate environments are going to be like in that long of a time horizon. So take everything with a grain of salt. I'm sure we'll be looking back and laughing at this podcast in a couple years' time.

Casey Mullooly: That's going to wrap things up for this week's history lesson. We hope you enjoyed listening, and we want to thank you for listening, as always. We'll see you next week on episode 377.