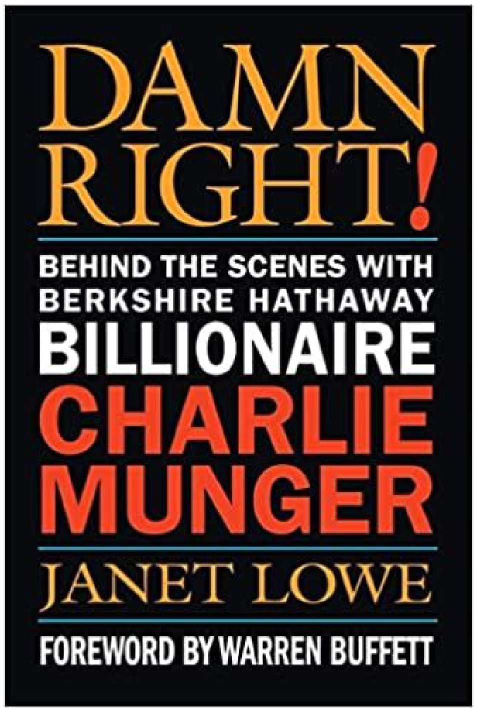
Favorite Quote:

"Unlike most individuals, who hunger for the world's approval, Charlie judges himself entirely by an inner scorecard—and he is a tough grader." —Warren Buffett



Summary: *Damn Right!* is a mind-twisting adventure inside the brain—and life—of Charlie Munger.

When he's not crafting billion-dollar deals with Buffett, you can find Munger at his family house on Star Island in Northern Minnesota by Cass Lake where he likes to fish with the family dog named Bob.

Munger admired the independence of childhood characters like Robinson Crusoe. This deeply motivated him to obtain wealth.

As Warren Buffett's partner at Berkshire Hathaway, Munger brings formidable intellectual horsepower to the relationship by way of how he thinks:

> *"Well, the first rule is that you can't really know anything if you just remember isolated facts and try and bang 'em back. If the facts don't hang together on a latticework of theory, you don't have them in a usable form. You've got to have models in your head. And you've got to array your experience both vicarious and direct on this latticework of models."*

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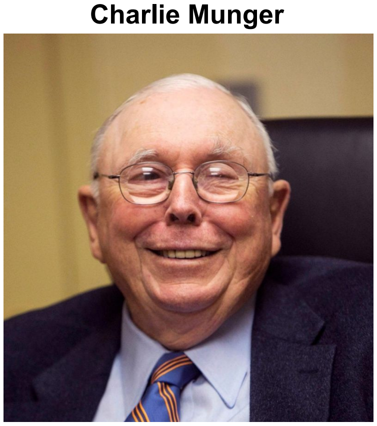
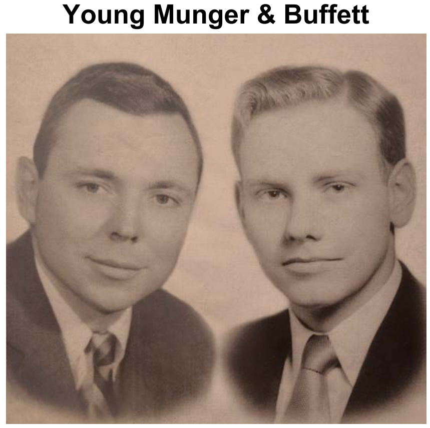
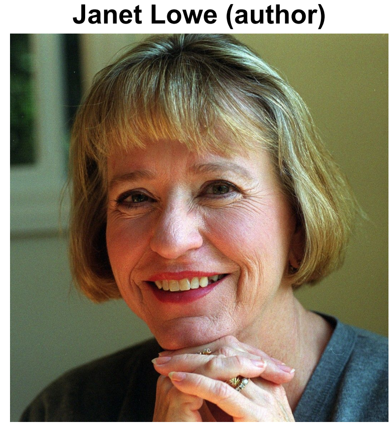
"It may be precisely because Munger was so similar to Ben Graham in his thought processes—honest, realistic, profoundly curious, and unfettered by conventional thinking—that he captured Buffett's attention in the first place."

Charlie Munger	Young Munger & Buffett	Janet Lowe (author)
		

"Like Warren, I had a considerable passion to get rich, not because I wanted Ferraris—I wanted the independence. I desperately wanted it. I thought it was undignified to have to send invoices to other people. I don't know where I got that notion from, but I had it."

Here are my Kindle notes, exported.

Mental Models: Let's review a few of Charlie Munger's favorite mental models (source: Farnam Street)

1. The Map is not the Territory The map of reality is not reality. Even the best maps are imperfect. That's because they are reductions of what they represent. If a map were to represent the territory with perfect fidelity, it would no longer be a reduction and thus would no longer be useful to us. A map can also be a snapshot of a point in time, representing something that no longer exists. This is important to keep in mind as we think through problems and make better decisions.

2. Circle of Competence When ego and not competence drives what we undertake, we have blind spots. If you know what you understand, you know where you have an edge over others. When you are honest about where your knowledge is lacking you know where you are vulnerable and where you can improve. Understanding your circle of competence improves decision making and outcomes.

3. First Principles Thinking First principles thinking is one of the best ways to reverse-engineer complicated situations and unleash creative possibility. Sometimes called reasoning from first principles, it's a tool to help clarify complicated problems by separating the underlying ideas or facts from any assumptions based on them. What remains are the essentials. If you know the first principles of something, you can build the rest of your knowledge around them to produce something new.

4. Thought Experiment Thought experiments can be defined as "devices of the imagination used to investigate the nature of things." Many disciplines, such as philosophy and physics, make use of thought experiments to examine what can be known. In doing so, they can open up new avenues for inquiry and exploration. Thought experiments are powerful because they help us learn from our mistakes and avoid future ones. They let us take on the impossible, evaluate the potential consequences of our actions, and re-examine history to make better decisions. They can help us both figure out what we really want, and the best way to get there.

5. Second-Order Thinking Almost everyone can anticipate the immediate results of their actions. This type of first-order thinking is easy and safe but it's also a way to ensure you get the same results that everyone else gets. Second-order thinking is thinking farther ahead and thinking holistically. It requires us to not only consider our actions and their immediate consequences, but the subsequent effects of those actions as well. Failing to consider the second and third order effects can unleash disaster.

6. Probabilistic Thinking Probabilistic thinking is essentially trying to estimate, using some tools of math and logic, the likelihood of any specific outcome coming to pass. It is one of the best tools we have to improve the accuracy of our decisions. In a world where each moment is determined by an infinitely complex set of factors, probabilistic thinking helps us identify the most likely outcomes. When we know these our decisions can be more precise and effective.

This includes Fat-Tailed Processes: A process can often look like a normal distribution but have a large "tail" – meaning that seemingly outlier events are far more likely than they are in an actual normal distribution. A strategy or process may be far more risky than a normal distribution is capable of describing if the fat tail is on the negative side, or far more profitable if the fat tail is on the positive side. Much of the human social world is said to be fat-tailed rather than normally distributed.

and Bayesian Updating: The Bayesian method is a method of thought (named for Thomas Bayes) whereby one takes into account all prior relevant probabilities and then incrementally updates them as newer information arrives. This method is especially productive given the fundamentally non-deterministic world we experience: We must use prior odds and new information in combination to arrive at our best decisions. This is not necessarily our intuitive decision-making engine.

7. Inversion Inversion is a powerful tool to improve your thinking because it helps you identify and remove obstacles to success. The root of inversion is "invert," which means to upend or turn upside down. As a thinking tool it means approaching a situation from the opposite end of the natural starting point. Most of us tend to think one way about a problem: forward. Inversion allows us to flip the problem around and think backward. Sometimes it's good to start at the beginning, but it can be more useful to start at the end.

8. Occam's Razor Simpler explanations are more likely to be true than complicated ones. This is the essence of Occam's Razor, a classic principle of logic and problem-solving. Instead of wasting your time trying to disprove complex scenarios, you can make decisions more confidently by basing them on the explanation that has the fewest moving parts.

9. Hanlon's Razor Hard to trace in its origin, Hanlon's Razor states that we should not attribute to malice that which is more easily explained by stupidity. In a complex world, using this model helps us avoid paranoia and ideology. By not generally assuming that bad results are the fault of a bad actor, we look for options instead of missing opportunities. This model reminds us that people do make mistakes. It demands that we ask if there is another reasonable explanation for the events that have occurred. The explanation most likely to be right is the one that contains the least amount of intent.

The previous page was intentionally dense to illustrate a point: **Charlie Munger does not f*ck around.** In fact, the above mental models are just *preliminary* general models, after which Munger strongly suggests diving into the mental models derived from the four "hard sciences" of math, physics, chemistry and engineering.

"You must, like it or not, master to tested fluency and routinely use the truly essential parts of all four constituents of the fundamental four-discipline combination." —Charlie Munger

Power of relationships:
To James Sinegal, chief executive officer of Costco, the warehouse retailing chain on whose board Munger sits, Munger is one of the best-connected businessmen in the country. When he met Charlie to ask him to serve on Costco's board of directors, the two had lunch at the prestigious downtown Los Angeles business club, the California Club. "There was a big lunch crowd," recalled Sinegal. "I think all 400 of them knew Charlie."

In addition to the California Club, Munger also joined the Los Angeles Country Club and the Beach Club.

On Buffett's relationship with Munger:
Despite Munger's ungraceful abruptness, said Buffett, "He is a sensational friend. The niceties are not there. None of the superficial acts, but all of the real ones. We've never had an argument. We've disagreed at times and we've done a lot of things together, but there's never been one time we've been mad or irritated or anything. If you talk about ideas, he's not going to get emotional about it. But if he has superior facts or reasoning, he won't back off. We both think the other one is worth listening to."

On family, and vacations to Star Island, Minnesota:

With the extra cottages came more docks and boats. There are now thirteen boats, including fishing dinghies, two Mark Twains, a Stingray, and a catamaran sailboat. The Star Island boats, said Molly Munger, are a constant source of vexation, since family members live thousands of miles away most of the year and the boats are untended and in "various stages of disrepair."

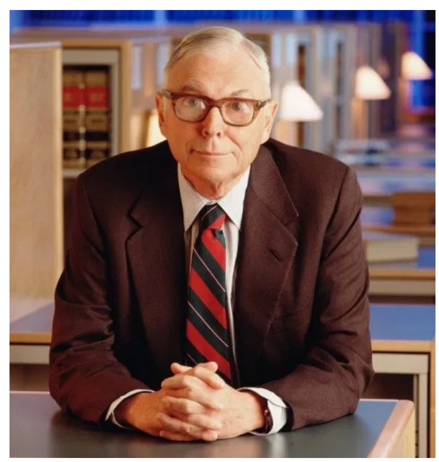
"There was plenty of plain living and high thinking in the old house."

On playing poker:
"Playing poker in the Army and as a young lawyer honed my business skills," said Charlie. "What you have to learn is to fold early when the odds are against you, or if you have a big edge, back it heavily because you don't get a big edge often. Opportunity comes, but it doesn't come often, so seize it when it does come."

On going to Harvard, like daddy, but with help:
"I was admitted over the objection of Dean Warren Abner Seavy through the intervention of family friend Roscoe Pound," Munger said. A Nebraska native, Pound was the retired dean of Harvard Law School. Charlie knew from family stories that Pound was a polymathic supergenius who, as dean, seldom convened faculty meetings because he figured he could make better decisions by himself.

Charlie was one of 12 in the 335-member class to graduate magna cum laude.

A few more Munger principles:
Charlie drummed in the notion that a person should always "Do the best that you can do. Never tell a lie. If you say you're going to do it, get it done. Nobody gives a shit about an excuse. Leave for the meeting early. Don't be late, but if you are late, don't bother giving people excuses. Just apologize. They're due the apology, but they're not interested in an excuse. By the way, those are very useful rules, especially for people who have decided to go into service businesses. People are paying for your services with their own money. Return your calls quickly. The other thing is the five-second no. You've got to make your mind up. You don't leave people hanging."



Turning point: a few key decisions + Munger's foray into investing:

"He'd done some legal work for a small transformer manufacturing company in Pasadena and got along well with the clients. Charlie hoped they would come back to him for more business. One morning, while driving past the company offices on his way in to work, Charlie decided that he was being too shy. He shouldn't wait for the clients to call him. He should make a personal visit to them. He did a U-turn in the middle of the street and went back. After chatting with the business owners for a while, he did get more work. Eventually, he took an ownership position in the business, borrowing some of the necessary funds. Munger's first formal partner was Ed Hoskins, who now is in his mid-90s and lives in a golfing community near a small mid-California city."

Perhaps an over-simplification, but interesting point nonetheless: He also learned how to define a good business: *"The difference between a good business and a bad business is that good businesses throw up one easy decision after another. The bad businesses throw up painful decisions time after time."*

Remember this name: Otis Booth. He became a close friend and early backer of Munger.

"Charlie has enormous powers of concentration," said Otis Booth, Munger's partner on his first two real estate projects. "When he concentrates, everything else goes away."

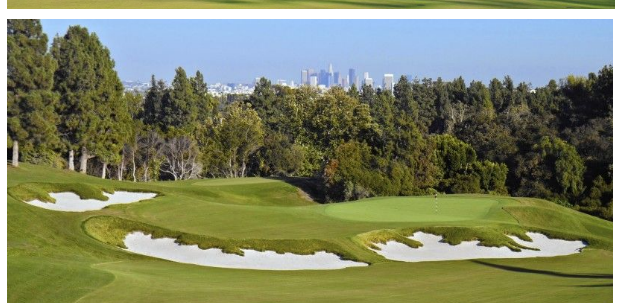
Munger goes every year to a trout fishing club Booth discovered in northwest Colorado, Rio Blanco Ranch, which is on the headwaters of the White River above Meeker.

Munger makes his first real money in real estate investments: "It was slow, there was a recession we had to wait out," agreed Booth. But in the end there was a "very substantive profit - 400 percent. We put in $100,000, got back $500,000." When the Caltech units, completed in 1967, were sold, Charlie and Otis then went to work on a site in Pasadena on Orange Grove Avenue, a broad street where apartments now encroached on 1900-era mansions. With this project, they applied the lessons they learned on the Caltech units and made more money faster.

Munger continues as a real estate developer, quite successfully. His secret? Lush landscaping. In Alhambra, Charlie and his partners built 442 one-story own-your-own apartments on two 11-acre sites. This was the lowest priced, lowest-end of all the Munger projects. Each unit sold for around $20,000. Again, the apartments went fast. By then, Munger felt he knew what buyers were looking for. He and the builders did not cut corners on design or construction details. Then when the project was finished, they made sure the units were attractively landscaped. "Lush landscaping," declared Charlie. "That's what sells. You spend money on trees, and you get it back triple. Stinting on landscaping is building malpractice."

Connections at LA Country Club and making a killing on oil rights held in an ABC trust: Charlie met Marshall because Nancy and Martha Marshall played golf together at the Los Angeles Country Club.

Marshall told Charlie about some oil rights he was bidding for. On the third hole, Charlie asked how Marshall was going about the bidding. When Marshall told him, Charlie replied, "You're doing it all wrong." "I said okay, if you're so smart, why don't you do the legal and financing work and I'll do the rest," said Marshall. Munger structured the deal in an ABC trust, which was a type of tax shelter that was legally correct at the time, but was so much abused that it has since been outlawed. But Marshall said that their ABC trust was properly done and has held together. "I'm still getting two to three thousand dollars a month from that. We only put up $1,000 each and we've each probably made a half a million out of it."



When Munger is 29, his son dies of leukemia.

His friend Rick Guerin described the 29-year-old Charlie's grief: "He said when his son was in the bed and slowly dying, he'd go in and hold him for a while, then go out walking the streets of Pasadena crying."

Munger eventually exits real estate with $1.4m in 1962 (about $12m today). Munger is 38 years old.

"When it was over, I had $1.4 million as the result of my real estate involvement," said Munger. "That was a lot of money at that time. Some was in seconds (trust deeds), and so forth, from people who bought apartments. Later the seconds were paid. It was a substantial backlog of economic security. I did a total of five projects, then stopped. I didn't like constantly borrowing more money. Also, it was an activity with many details, each crucial, difficult to handle as a full-time activity and extremely difficult as a part-time activity."

Much later in life Munger develops Sea Meadow in Montecito, CA.

“Not long ago he did another commercial development, this one in Santa Barbara on property owned by Wesco Financial. Wesco's former thrift association, Mutual Savings, got the 22-acres of pristine oceanfront property in a 1966 foreclosure. The development's official name is Sea Meadow, but Buffett calls it "Mungerville" after "Pottersville" in the movie, It's a Wonderful Life. "He's constantly trying to sell me things in Mungerville," groused Buffett.

Door closes, window opens: Munger’s father’s death left an aching void, yet the end of Al's life launched a new phase of Charlie's. When Munger went home to take care of his father's estate, he was introduced to young Warren Buffett, a meeting that would change the lives of many people. It also is a perfect example of the sort of success matrix Munger often talks about, the converging of several great ideas to produce outstanding results. In this case, it was the coming together of two people with superior intellects and shared objectives.

> *"Charlie can analyze and evaluate any kind of deal faster and more accurately than any man alive. He sees any valid weakness in 60 seconds. He's a perfect partner."* —Warren Buffett

One of Munger's favorite ideas is from Aristotle, "The best way to avoid envy is to deserve the success you get."

Munger critiquing Ben Graham, the father of value investing: "Ben Graham had blind spots. He had too low an appreciation of the fact that some businesses were worth paying big premiums for."

Two trains on parallel tracks: IN 1962—THE SAME YEAR Buffett started buying shares in the beleaguered New England textile manufacturing company, Berkshire Hathaway—Charlie Munger helped established two new ventures in Los Angeles. The first was a law firm and the second was a securities firm called Wheeler, Munger and Company.

Munger starts a law firm that would evolve into Munger, Tolles & Olson, one of the most esteemed law firms in the country, and the de facto law house for Berkshire Hathaway. Ron Olson is considered one of the most influential lawyers in the world, and would become a director for Berkshire Hathaway.

Munger came to understand that in order to be truly wealthy,
a person needed to build ownership in a business.

The creation of Wheeler, Munger & Company: In 1962, Munger made the commitment to spend at least part of his time acting as a professional investor using other people's funds. He took the step that Buffett had repeatedly suggested to him. Charlie, along with his poker pal and legal client, Jack Wheeler, established Wheeler, Munger & Company, an investment partnership similar in format to Buffett's partnership. Wheeler, a Yale graduate, was by profession a stock exchange floor trader and a co-owner of two specialist posts at the Pacific Coast Stock Exchange.

Once Munger started investing with Buffett, how were profits distributed? "The structure of the Buffett and Munger partnerships was very important." explained Otis Booth. "At the end of each year profits were distributed, and ownership was reallocated. The reallocation was not a taxable event. Profits were given according to partnership interests at the previous year end. First 6 percent to capital, limited and general partners alike. After that, a huge majority share to capital and a much lower share to general partners. When there were taxes to pay, all partners bore their share according to their interests." Buffett explained that Munger followed the fundamentals of value investing, though his portfolio was far less diversified than those established by the managers of traditional value funds, such as Buffett's friend and former co-worker at Graham-Newman, Walter Schloss.

Buffett gets out, Munger gets clobbered: Discouraged by market conditions, Buffett liquidated his [original] partnership at the end of 1969. Within a few years, Munger probably wished he'd followed suit. But Munger did not follow Buffett's example, and 1973 and 1974 were a nightmare. Wheeler, Munger was off 31.9 percent in 1973 (versus a negative 13.1 percent for the Dow Jones Industrial Average) and down 31.5 percent in 1974 (compared to a minus 23.1 percent for the Dow).

Wealth accumulation: by 1976 he had accumulated $5m (about $23m today). Munger is 52. "When the dust settled, my family had about $3 million from Wheeler, Munger and about $2 million more from real estate, and so on," said Munger.

Munger joins forces with Buffett within the Berkshire Hathaway entity. His ownership percentage is 1.5%. Booth also owns 1.5%. In 1974 it traded at $40 per share. Today, Berkshire trades at $300,000 per share with a market cap of $488 billion (as of 6/6/20).

One of Buffett & Munger’s key tactics is buying companies and investing the excess cash:

For some years, trading stamps continued to be Blue Chip's main business. In 1970, Blue Chip sales peaked at more than $124 million, but soon the popularity of trading stamps waned, and by 1982 sales plummeted down to $9 million. Sales amounted to only $200,000 a year by the late 1990s when Blue Chip's trading stamps were primarily issued by a few bowling alleys. Buffett and Munger gained control of the investment committee once they were board members, and so during the time that trading stamps were slipping from favor, the investment committee was at work building the value of Blue Chip's float.

SEC compels a re-org: It was a stressful time, but as a result, Berkshire Hathaway became a larger, simpler company. In the reorganization that followed, Blue Chip Stamps sold its interest in Source Capital, which by then had doubled in value. Wesco, for tax purposes, was consolidated with Blue Chip Stamps as its ownership proportion reached 80 percent. Both Diversified Retailing and Blue Chip were merged into Berkshire, finally giving Munger a formal position at Berkshire. Munger got 2 percent of the stock of Berkshire and was named vice chairman, keeping his old salary of $50,000.

By the time Berkshire and Blue Chip merged, Berkshire held 60 percent of Blue Chip stock. On July 28, 1983, Berkshire acquired the 40 percent interest that it did not already own. Each outstanding Blue Chip Stamps share was exchanged for .077 of a share of Berkshire. BH is therefore worth 14x BC at merger **The combined assets of the merged companies amounted to $1.6 billion.**

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See's CANDIES

In 1972, using the float of Blue Chip Stamps, Buffett and Munger acquired the small Los Angeles-based See's Candy for $25 million. It was a major step for Charlie and Warren because it was their biggest purchase up to that time.

The See family was asking $30 million. But because of See's low book value, Buffett and Munger decided not to go above $25 million. The talks ended, but later See called back and accepted the $25 million. Munger and Buffett purchased See's Candy on January 3, 1972, paying three times book value, something they'd never done before.

Munger has had life-long eye trouble: Charlie suspects that the more likely cause was using a sunlamp when he was a very young boy. For some reason, Munger said, he became enamored with the lamp and used it extensively without eye protection, unaware of the possible future consequences.

How much does Munger read? A lot. He's a voracious reader. In every one of our houses there will be three, four, five books stacked by his chair and three, four, or five more stacked by the bed. He has certain things he wants to read. He's not a fiction reader so it's either a business book or a biography or a history or science book. It's always based on facts."

> **Also:** Books by Somerset Maugham; biographies of Margaret Thatcher, Mark Twain, and Albert Einstein; The Moral Animal by Robert Wright; Tales from the Drone's Club by P.G. Wodehouse. And stacked on a side table, The Ultimate Rose Book and The French Interior.

Munger bets big on Freddie Mac: Wesco—through Mutual Savings—bought 28.8 million shares of Freddie Mac for $72 million at a time when Freddie Mac shares could be lawfully owned only by an S&L. It was the maximum investment in Freddie Mac then allowed by law. It was an investment that built a castle wall around Wesco during the later collapse of the thrift industry. By the end of 1999, the Freddie Mac holding had a market value of $1.38 billion.

"My biggest lost opportunity was probably Fannie Mae." —Warren Buffett

Munger on mortgage-backed securities (MBS): "We are deterred from buying such securities partly by our hatred of complexity."

"Wesco continues to try more to profit from always remembering the obvious than from grasping the esoteric," said Munger. "It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent. There must be some wisdom in the folk saying, 'It's the strong swimmers who drown.'

Wesco is basically a holding company that, as of 1999, owns Freddie Mac, Coca-Cola and Gillette: At the end of 1999, Wesco's consolidated balance sheet contained $2.8 billion of marketable securities, stated at market value. The largest holding was Freddie Mac, with a value of $1.9 billion. This holding is the 28.8 million shares of Freddie Mac purchased in 1988 for $71.7 million. The second and third largest holdings were shares of The Coca-Cola Company and The Gillette Company, with a combined value of $800 million.
95% in 3 securities!

They buy, they hold: "By now I think we've bought well over a hundred. And maybe we've sold two. We don't like what we call gin rummy management where you're always buying and selling. We like to buy and hold."

Berkshire Hathaway discovers that amazing cash machines that are insurance companies: Berkshire made its first substantial foray into insurance, purchasing National Indemnity Company in Omaha for approximately $8.6 million. Many of Berkshire's very large investments are made through National Indemnity.

It cost Berkshire $2.3 billion to buy the second half of GEICO at that price. With GEICO, Berkshire got the full-time services of Lou Simpson, who is believed by many to be Buffett's heir apparent. The shy, Princeton-educated Simpson had been in charge of investing GEICO's float and continues to do so after the acquisition. GEICO's fixed income portfolio is now managed from Berkshire headquarters. Simpson had been beating the market since at least 1980 and has an investment record nearly as good as Buffett's. In 1997, 1998, and 1999, however, Simpson's return failed to match the return on the Standard and Poor's 500, which meant that instead of earning a bonus, Simpson owed Berkshire money.

"There's integrity, intelligence, experience, and dedication," said Charlie. "That's what human enterprises need to run well.

Keep overhead low: The company's overhead ratio is lower than that of many mutual funds. "I don't know of anybody our size who has lower overhead than we do," Munger said. "And we like it that way. Once a company starts getting fancy," he said, "it's difficult to stop."

On simple ideas: "People underrate the importance of a few simple big ideas. And I think to the extent Berkshire Hathaway is a didactic enterprise teaching the right systems of thought, the chief lesson is that a few big ideas really work. I think these filters of ours have worked pretty well—because they are so simple," says Munger.

Berkshire shifts from buying stocks, to buying entire companies: The structure of Berkshire's holdings made a dramatic transition. At the beginning of 1996, Berkshire's stock portfolio accounted for 76 percent of its $29.9 billion in assets. By the end of the first quarter of 1999, the stocks represented only 32 percent of assets, which by then had reached $124 billion. During those three years, Berkshire spent $27.3 billion to buy seven companies.4 At the 2000 annual meeting, Munger and Buffett explained that by owning companies in their entirety, they could minimize the impact of a whimsical stock market or Berkshire's share price.

→ If you haven't seen Berkshire Hathaway's website, you are in for a treat.

A rare bad investment:
Berkshire wrote down its investment in the company, taking a $269.5 million pretax charge on the books. In 1995, Berkshire's stake, which was acquired for $358 million, was valued at only $86 million.

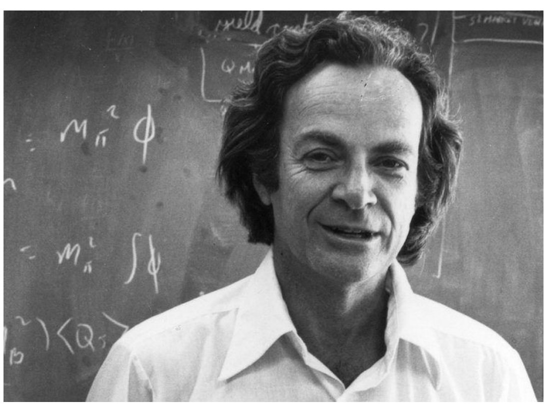
Speaking of jets, Buffett buys one:

Buffett dubbed his business jet the "Indefensible," in reaction to Munger's jabs, but said he had been seriously considering naming the plane the Charles T. Munger.

On charitable giving & focus: It is Munger's habit to choose just two or three public causes that seem important, then concentrate on making a difference there. Just as he and Buffett stay within their "circle of competence," or areas that they truly understand when selecting investments, Charlie has developed a circle of competence in his charitable work. He has focused primarily on reproductive choice, health care, and education.

Then Munger adds a little midwestern Zen, what he calls "the iron prescription”:

“Every time you think some person, or some unfairness is ruining your life, it is you who are ruining your life."

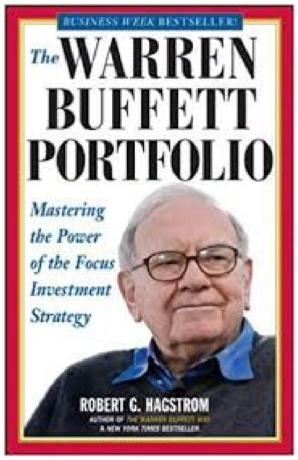


CHARLIE MUNGER OFTEN QUOTES the late Nobel laureate physicist Richard Feynman, who said the first rule is to not fool yourself, and you are the easiest person to fool. Munger can be merciless if he believes he has caught someone in an act of silly self-deception.

"If you want to get smart," Munger said, "the question you have to keep asking is 'why, why, why?' And you have to relate the answers to a structure of deep theory. You've got to know the main theories. And it's mildly laborious, but it's also a lot of fun."

How to ensure a miserable life: Munger told the students that his prescriptions for life were based on a Johnny Carson speech explaining the things a person should do to ensure a miserable life. These included ingesting chemicals in an effort to alter mood or perception, and allowing oneself to indulge in envy and to wallow in resentment.

And four more ways to induce failure: Then Munger added four practices that he believes also will help guarantee failure. 1) Be unreliable; 2) learn everything from your own experience rather than learning from others; 3) give up trying after your first, second, or third reverse of fortune; and finally, 4) give in to fuzzy thinking. ". . . ignore a story they told me when I was very young about a rustic who said, *'I wish I knew where I was going to die, and then I'd never go there.'*



Munger book recommendations: Each year at the Berkshire annual meeting Munger recommends a wide range of reading material. These include Value Line charts, Robert B. Cialdini's book *Influence* on how people are persuaded to buy products and take other actions, and recently, Robert Hagstrom's book, *The Warren Buffett Portfolio: Mastering the Power of the Focus Investment Strategy*.

A bone to pick about stock options: Both Munger and Buffett are indignant over the way the regulators allow stock options to be counted on the books so that they don't show up as an expense to the company. They mention the problem at nearly every annual meeting.

On silver spoons: "I've had kids in both moderate and immoderate circumstances," he said, "and to be honest, my children that were raised when we had less money have worked harder."

On the adult learning barrier: If "A" is narrow professional doctrine and "B" consists of the big, extra-useful concepts from other disciplines, then, clearly, the professional possessing "A" plus "B" will usually be better off than the poor possessor of "A" alone. How could it be otherwise? And thus the only rational excuse for not acquiring more "B" is that it is not practical to do so, given the man's need for "A" and the other urgent demands in his life. The adult learning barrier

On learning the hard sciences: fundamental organizing ethos of hard science (defined as the "fundamental four-discipline combination" of math, physics, chemistry, and engineering). You must, like it or not, master to tested fluency and routinely use the truly essential parts of all four constituents of the fundamental four-discipline combination, with particularly intense attention given to disciplines more fundamental than your own.

Great quote on incentives: Wrong incentives are a major cause because, as Dr. Johnson so wisely observed, truth is hard to assimilate in any mind when opposed by interest. And, if institutional incentives cause the problem, then a remedy is feasible—because incentives can be changed.

Munger loves inversion: Indeed, many problems can't be solved forward. And that is why the great algebraist, Carl Jacobi, so often said: "invert, always invert." And why Pythagoras thought in reverse to prove that the square root of two was an irrational number.

Five helpful Munger notions: 1. Start simple and decide the basic questions. 2. Reduce messy confusion with math 3. Invert: solve problems backwards 4. Think independently, multi-disciplinary 5. Big effects are derived from large combinations of factors

"I don't have a good half speed." —Munger on himself

"Never wrestle with a pig because if you do you'll both get dirty, but the pig will enjoy it."