The financial sorceror’s apprentice

PETER PONTIKIS reviews the biography of Charles Munger, the man who helped Warren Buffet become one of the world’s richest men.

Charles Munger: Damn right! – Biography of Berkshire Hathaway Billionaire
By Janet Lowe
Wiley and Sons, USA, 2000, $45

Charles Munger is a curious figure. On a publicity basis the image and reputation of Warren Buffet the famous Number one investor in the world (as opposed to business manager) dwarfs Charles’ profile. But in reading Charles’ life story you get the impression this is by design not accident. Indeed he himself quips that he has tried to stay out of the top 200 of richest Americans so he would not have the profile. He failed. As at 1998, he was in the Fortune 200 list with $US1.2 billion to his name and as deputy chairman of Berkshire Hathaway it is pretty hard to see him losing his reputation as a savvy investor.

Of course, his wealth is overshadowed by Buffet’s (at roughly $US35 billion).

Reading Munger’s biography gives the impression that he does not rate money as the measure of the man. Critically Warren Buffet regards Charles as his teacher. This is the hook. Who then is Charles Munger?

To be frank as a student of investing I found the biography short on investing detail – for this is truly a biography. Charles is very much a family centric man. It was not so much the deals he wants to talk about - but his value system. I think this is the value of the biographical analysis.

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To give an example, he travels economy class and loathes the limelight. Like Buffet, he is a student of Benjamin Graham’s ideas on investing. He is also interestingly more conservative than Buffet himself. He only has 90% of his wealth in Berkshire Hathaway (Buffet has 99%). Charles is also not afraid to give some of it away and by his own admission at 78 years of age he now has expensive hobbies – charity work.

Charles Munger had a modest, middle class upbringing during the depression years. He served in the military during WWII and married at 24. He lost ‘everything’ in a divorce settlement and at 33 he married again and started from scratch. There was no silver spoon for this man. It is no accident when he says that a key to success is: “Marrying well is like a good investment. A good marriage helps too!”

So how did he do it? Well, I think you should buy the book for that - but I will say the value of Charles Munger is not in his deals or results, but in the mindset of the man.

At the risk of oversimplification his prescription for the good investing life is to avoid the following: ingesting chemicals to alter mood, indulging in envy, wallowing in resentment, unreliability, learning just from your mistakes, fuzzy logic and giving up.

He says always live below your means - in order to be able to invest. It of course helps to have a long life. And if you want to be smart – ask why, why, why?

This man is no provincial (though very proud of his Omaha roots): his formidable intellect comes through in some of his attached speeches and he has a healthy suspicion of so-called finance professionals and educators. He pleads for the value of multidisciplinary faculties and degrees – presenting the case for behavioural finance to be given far more credit than is currently the case.

There is of course much more in the book from both a financial and a normative perspective but the essence of this remarkable man is contained in the quote:

“To those to whom much is given – much is expected”.

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