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# DAMN RIGHT!

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BEHIND THE SCENES WITH  
BERKSHIRE HATHAWAY BILLIONAIRE  
CHARLIE MUNGER

Janet Lowe



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# FOREWORD

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**L**ate in the summer of 1991, I appeared before a house subcommittee chaired by Congressman Ed Markey to answer questions about the Salomon scandal. The hearing room was piled high with TV and print reporters, and I was more than a little nervous when Chairman Markey led off with his first question. He wanted to know whether the reprehensible behavior that had occurred at Salomon was characteristic of Wall Street or rather, as he put it, “*sui generis*.”

Normally I would have panicked at the introduction of such a strange-sounding term: In high school, I barely made it through elementary Spanish and never came close to Latin. But, I had no trouble with *sui generis*. After all, I knew a walking, talking example: Charlie Munger, my long-time friend and partner.

Charlie truly is one of a kind. I recognized that in 1959, when I first met him, and I have been discovering unique qualities in him ever since. Anyone who has had even the briefest contact with Charlie would tell you the same. But usually they would be thinking of his, shall we say, behavioral style. Miss Manners clearly would need to do a lot of work on Charlie before she could grant him a diploma.

To me, however, what makes Charlie special is his character. It’s true that his mind is breathtaking: He’s as bright as any person I’ve ever met and, at 76, still has a memory I would kill for. He was born, though, with these abilities. It’s how he has elected to use them that makes me regard him so highly.

In 41 years, I have never seen Charlie try to take advantage of anyone, nor have I seen him claim the least bit of credit for anything that he didn’t do. In fact, I’ve witnessed exactly the opposite: He has knowingly let me and others have the better end of a deal, and he has also always shouldered more than his share of the blame when things go wrong and accepted less than his share of credit when the reverse has been true. He is generous in the deepest sense and never lets ego interfere with rationality. Unlike most individuals, who hunger for the world’s approval, Charlie judges himself entirely by an inner scorecard—and he is a tough grader.

On business matters, Charlie and I agree a very high percentage of the time. On social issues, however, we sometimes see things differently. But despite the fact that we both cherish our strong opinions, we have never in our entire friendship had an argument nor found disagreement a reason to be disagreeable. It's very difficult to imagine Charlie on a corner in a Salvation Army uniform—no, make that *impossible* to imagine—but he seems to have embraced the charity's creed of "hate the sin but not the sinner."

And, speaking of sin, Charlie even brings rationality to that subject. He concludes, of course, that sins such as lust, gluttony, and sloth are to be avoided. Nevertheless, he understands transgressions in these areas, since they often produce instant, albeit fleeting, pleasure. Envy, however, strikes him as the silliest of the Seven Deadly Sins, since it produces nothing pleasant at all. To the contrary, it simply makes the practitioner feel miserable.

I've had an enormous amount of fun in my business life—and far more than if I had not partnered up with Charlie. With his "Mungerisms" he has been highly entertaining, and he has also shaped my thinking in a major way. Though many would label Charlie a businessman or philanthropist, I would opt for teacher. And Berkshire clearly is a much more valuable and admirable company because of what he has taught us.

No discussion of Charlie would be complete without a mention of the beneficial, indeed transforming effect of his wife, Nancy. As a front-row observer of both people, I can assure you that Charlie would have achieved far less had he not had Nancy's help. She may not have entirely succeeded as a Miss Manners instructor—though she tried, oh how she tried—but she has nourished Charlie in a manner that has in turn enabled him to nourish the causes and institutions in which he believes. Nancy is truly extraordinary. What Charlie has contributed to the world—and his contributions have been huge—should be credited not only to him but to her as well.

WARREN E. BUFFETT

*Omaha, Nebraska*

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# PREFACE

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**T**he thousands of shareholders who attend the Berkshire Hathaway annual meeting in Omaha, Nebraska, each spring go to see Warren Buffett, but they also are fascinated by the man who sits beside him on the stage and helps the Oracle of Omaha answer questions. They call it the *Warren and Charlie Show*. It usually goes this way: Buffett answers the question, giving it as much or as little time as he sees fit. At the end, he turns to his longtime partner Charles Munger and asks, “Charlie, do you have anything to add?” Charlie sits there looking as if he’d already been chiseled into Mount Rushmore, and gives a brusque reply. “Nothing to add.” He and Buffett play their little jokes each year to an audience that enjoys going right along with them. The meeting does have a deeper element though. Buffett gives serious thought to the questions. And occasionally, something will come over Munger and he delivers a little lecture, based on his long life and abundant experience. When he does speak, Munger has the audience’s undivided attention.

He has messages that he thinks are important: Deal ethically with others; face reality; learn from the mistakes of others, and so forth. He delivers those sermonettes with missionary zeal.

“Daddy is very conscious of the fact that he represents social values that are not all that common in the business world,” said his first daughter Molly Munger.

Munger isn’t as wealthy as Buffett, partly because his life is organized differently. He isn’t the showman Buffett is, though he can be enormously entertaining. Thanks to these two factors, the Munger family has long enjoyed the privilege of being billionaires without the inconveniences of fame.

I told Munger about this book project when I saw him at the Berkshire Hathaway meeting in May 1997, and said I would attend the Wesco Financial Corporation meeting later the same month and hoped we could talk more about the project at that time. Munger didn’t say much except that he didn’t think the book would sell many copies. My husband, a friend, and I did attend the Wesco meeting and when it was over, Munger

rose and in a loud voice asked, "Is Janet Lowe here?" The assembled audience of several hundred people craned their necks searching for the culprit, and a few who know me pointed in my direction. I timidly stood, "Yes, Mr. Munger." He rose from his chair and declared, "Follow me," and turned and marched out a back door. I waved goodbye to my husband and friend, not sure when I would see them again. Munger silently led the way up the elevator and to a private office where he told me that the Munger family didn't want a biography of him. They could see their cherished privacy slipping away. Being a fundamentally shy person who doesn't enjoy confrontation, I did not find this meeting easy. But I explained that I had signed a contract and would need to deliver the book, even if he did not cooperate. I said, however, that I believed the book would be much better if he did. "All right then," Munger barked. "You can start by reading these books." He handed over a long list of his favorites, including Richard Dawkins' *The Selfish Gene*. Later, Munger told me that he went through phases, at first opposing the book, then trying to minimize the damage, and in the end, working right beside me, trying to make the events of his life as understandable as possible. It clearly wasn't always easy for him, especially when I pressed for details about the death of his son and the misguided surgery that left Charlie blind in one eye.

Nevertheless, Munger sat for long interviews at his home in Santa Barbara, his office in Los Angeles, and twice at his sister's home in Omaha. The Mungers invited my husband and me to their vacation retreat in Northern Minnesota, where I spent several days interviewing family and neighbors, but also went hiking, boating, fishing, and hanging out with the Mungers.

I have been researching and writing this book for three years. Although some of the research builds on work done earlier on value investor Benjamin Graham and his star pupil Buffett, that material could only serve as background. Munger's photograph has appeared on the cover of *Forbes* and he has been profiled in a couple of newspapers, but there is very little written about him. More than 75 percent of the research in this book is original. I've done 44 interviews with 33 different persons. I attended eight Berkshire shareholder meetings and five Wesco Financial Corporation annual meetings, where Munger is alone on the stage and doesn't hold back anything. I worked with transcripts of about a half dozen speeches that Munger gave in various places, including one for his class reunion at Harvard Law School.

Although he became involved in the project, Charlie tried to resist the temptation to direct the book, other than to say often that he hoped it

would emphasize the lessons he's learned during his 76 years of life. He would like others to benefit from his errors and successes. Indeed, the lessons of his life are not so much in the telling as in the living. The way he and his wife raised eight children through all kinds of adversity—how Munger constantly strove to maximize his talents and his financial situation, the responsibility he feels to be a connected, contributing citizen—all that is something of a saga. While writing this book, I often burst out laughing, but there were times I winced in pain or felt sorrow. Life threw Charlie about everything it had.

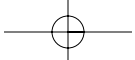
While Munger is a one-of-a-kind, he also is typical of the fusion of West Coast culture with Midwestern values, which took place primarily in the first half of the twentieth century. If Buffett shows that it is possible to be an alpha male investor and live and work in Omaha, a city not known as a financial center, Munger shows that despite some commonly held assumptions, valuable, innovative financial, and cultural ideas can and do flow from west to east.

Munger often lectures on big ideas that can change your life, but in those speeches he does not give detailed instructions on what to do. He hands his listeners a map with which they can find the treasure of wisdom, and like any good treasure map, it's so simple that it is deceptive. You don't get the treasure until you figure out what the instructions mean and follow them to the end.

## Acknowledgments

So many people have helped make this book possible. Most important, of course, have been Charles T. Munger, his wife Nancy, and seven of their eight children, Hal and David Borthwick, Molly, Wendy, Charles Junior, Emilie, and Barry Munger. The spouses of the Munger children also have been supportive, helpful, and interesting to know. Doerthe Obert, Charlie's secretary has been wonderful, as was Buffett's assistant Debbie Bosanek. Carol J. Loomis, an editor at *Fortune* magazine and an old friend of Buffett and Munger, has been extremely generous with her time and ideas. At the back of this book is a list of the people interviewed, and rather than name all of those people here as well, let me thank them as a group. It goes without saying, but must be said, that Warren Buffett's cooperation opened rows of doors.

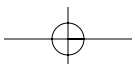
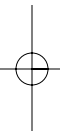
My literary agent Alice Fried Martell has been essential to the writing of this book, as has the editorial staff at John Wiley & Sons. Publisher Joan



O'Neil, editor Debra Englander, Robin Goldstein, Mary Todd, Peter Knapp, and Meredith McGinnis. My work would be impossible without the help of Phyllis Kinney, Jolene Crowley, and most of all my husband and helpmate, Austin Lynas. Thanks to everyone.

JANET LOWE

*Del Mar, California*



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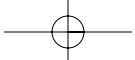
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