



Poor
Charlie's
Almanack



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Poor Charlie's Almanack

The Essential Wit & Wisdom *of* Charles T. Munger

EDITED BY PETER D. KAUFMAN

For Charles T. Munger, who, in his own
words, would tell you:

*“Acquire worldly wisdom and adjust your behavior accordingly.
If your new behavior gives you a little temporary unpopularity with your peer group
... then to hell with them.”*

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FOREWORD

COLLISON ON MUNGER

by John B. Collison

Dublin

April 2023

I first came across *Poor Charlie's Almanack* in my 20s, when I was trying to learn everything I could about what made successful businesses tick. As I leafed through its oversize pages, I found it to be a refreshing rebuttal of conventional financial wisdom, delivered with unusual simplicity and candor. Never before had I heard a venerated businessperson express such trenchant insights about investing, finance, and the world more broadly, and with such—to use a favored Munger phrase—chutzpah. One can't help but read a line like “Without numerical fluency ... you are like a one-legged man

in an ass-kicking contest” and come away not only chuckling but also a little bit wiser.

Years after that first encounter with “Poor Charlie,” I had the privilege of meeting Charlie at his home in Los Angeles. I was delighted to find that he is just as engaging and intellectually curious in person as he is on the page. (He also, I discovered, has considerably more stamina than I do—more than four hours into our dinner, I was ready for bed while Charlie showed no signs of flagging.) Our conversation that night was wideranging, touching on everything from the economics of ski resorts to raising children to the evolution of the news industry. Witnessing Charlie’s prodigious intellectual breadth and multidisciplinary mode of reasoning firsthand only reinforced my admiration both for the man himself and for this book.

Poor Charlie’s Almanack is a testament to the power of thinking across disciplines. It’s not just a book about investing; it’s a guide to learning how to think for yourself to understand the world around you. Charlie’s philosophy combines insights from nearly every discipline in which he’s ever taken even a passing interest—not only business and finance but also mathematics, physics, history, ethics, and more—delivered with a characteristic irreverence that has persisted for 99 years (and counting). His essays extol the virtues of free enterprise, yes, but also of doing business the right way, with integrity and rigor. Of taking your work very seriously, but never yourself.

While the world looks very different today than it did nearly 100 years ago, when Charlie was born in Omaha, Nebraska—arriving before the Great Depression, between two world wars, and just two years after the establishment of the Irish Free State—Charlie has remained a constant. His insatiable appetite for learning; his uncanny ability to evaluate businesses using simple frameworks that produce more reliable analysis than complex financial statements; and his partnership with the Buffett family—which started humbly when a teenage Charlie took a job in Warren’s grandfather’s grocery store and culminated in the one of the most successful investing relationships of all time—have persisted for decades, through boom times and bust. So, too, have many of the esteemed businesses in which Charlie and Warren invested their dollars and their confidence.

Although Charlie didn't invent the concept of compounding growth, his success, and that of Berkshire Hathaway, is a testament to its existence. The practical wisdom of *Poor Charlie's Almanack*, this ode to curiosity, generosity, and virtue, will similarly compound, as successive generations of entrepreneurial readers extend his lessons to their own circumstances.

Whether you are a seasoned investor or an enthusiastic newcomer, whether you run a business or are seeking to improve your decision-making skills in everyday life, I encourage you to read Charlie's speeches and essays with an open, curious mind.

You will be rewarded with insights that stay with you for a lifetime. As Charlie once said, "There is no better teacher than history in determining the future. There are answers worth billions of dollars in a \$30 history book." The same might be said of *Poor Charlie's Almanack*. It is the ultimate value investment.

I am immensely grateful to Peter Kaufman for compiling this classic tome, and to Charlie Munger for his irrefutable wisdom and his gracious mentorship. Nothing further to add.



FOREWORD

BUFFETT ON MUNGER

by Warren E. Buffett

From 1733 to 1758, Ben Franklin dispensed useful and timeless advice through *Poor Richard's Almanack*. Among the virtues extolled were thrift, duty, hard work, and simplicity.

Subsequently, two centuries went by during which Ben's thoughts on these subjects were regarded as the last word. Then Charlie Munger stepped forth.

Initially a mere disciple of Ben's, Charlie was soon breaking new ground. What Ben had recommended, Charlie demanded.

If Ben suggested saving pennies, Charlie raised the stakes. If Ben said be prompt, Charlie said be early. Life under Ben's rules began to look positively cushy compared with the rigor demanded by Munger.

Moreover, Charlie consistently practiced what he preached (and oh, how he preached). Ben, in his will, created two small philanthropic funds that were designed to teach the magic of compound interest. Early on, Charlie decided that this was a subject far too important to be taught through some posthumous project. Instead, he opted to become a living lesson in compounding, eschewing frivolous (defined as "any") expenditures that might sap the power of his example. Consequently, the members of Charlie's family learned the joys of extended bus trips while their wealthy friends, imprisoned in private jets, missed these enriching experiences.

In certain areas, however, Charlie has not sought to improve on Ben's thinking. For example, Ben's "Advice on the Choice of a Mistress" essay has left Charlie in the "I have nothing to add" mode that is his trademark at Berkshire annual meetings.

As for myself, I'd like to offer some "Advice on the Choice of a Partner." Pay attention.

Look first for someone both smarter and wiser than you are. After locating him (or her), ask him not to flaunt his superiority so that you may enjoy acclaim for the many accomplishments that sprang from his thoughts and

advice. Seek a partner who will never second-guess you nor sulk when you make expensive mistakes. Look also for a generous soul who will put up his own money and work for peanuts. Finally, join with someone who will constantly add to the fun as you travel a long road together.

All of the above is splendid advice. (I've never scored less than an A in self-graded exams.) In fact, it's so splendid that I set out in 1959 to follow it slavishly. And there was only one partner who fit my bill of particulars in every way—Charlie.

In Ben's famous essay, he says that only an older mistress makes sense, and he goes on to give eight very good reasons as to why this is so. His clincher: "... and, lastly, they are so grateful."

Charlie and I have now been partners for 45 years. I'm not sure whether he had seven other reasons for selecting me. But I definitely meet Ben's eighth criterion. I couldn't be more grateful.



REBUTTAL

MUNGER ON BUFFETT

by Charles T. Munger

I think there's some mythology in the idea that I've been this great enlightener of Warren. He hasn't needed much enlightenment. I frankly think I get more credit than I deserve. It is true that Warren had a touch of brain block from working under Ben Graham and making a ton of money. It's hard to switch from something that's worked so well. But if Charlie Munger had never lived, the Buffett record would still be pretty much what it is.

It's hard to believe that he's getting better with each passing year. It won't go on forever, but Warren is actually improving. It's remarkable: Most men in their 70s are not improving, but Warren is. Berkshire is drowning in money—we have great businesses pounding out money. When Warren is gone, the acquisition side of Berkshire will not do as well, but the rest will do well. And the acquisition side will do just fine.

I think the top guy won't be as smart as Warren. But it's silly to complain, "What kind of world is this that gives me Warren Buffett for 40 years, and then some bastard comes along who's worse?"

INTRODUCTION

by Peter D. Kaufman

You are about to embark on an extraordinary journey toward better investing and decision-making. You may arrive at a better understanding of life as well, all thanks to the wit, wisdom, speeches, and writings of Charlie Munger—this generation's answer to Benjamin Franklin. Charlie's unique worldview, what he calls his multidisciplinary approach, is a self-developed model for clear and simple thinking—yet his concepts and models are anything but simplistic. Notice how well Charlie's thinking stands the test of time: The earliest talk in this collection is almost 20 years old, yet it is as relevant today as the day he first delivered it. As you will soon discover, Charlie's observations and

conclusions are based on fundamental human nature, basic truths, and core principles from a wide range of disciplines.

Throughout the book, Charlie reveals his intellect, wit, values, and no end of rhetorical flair. His encyclopedic knowledge allows him to cite references from classical orators to 18th- and 19th-century European literati to pop culture icons of the moment. Where else would you find Demosthenes and Cicero juxtaposed against Johnny Carson, or today's investment managers set against Nietzsche, Galileo, and a "one-legged man in an ass-kicking contest"? Or how about Ben Franklin versus Bernie Cornfeld in a battle of worldly wisdom? Using selfdeprecation and imagination to great effect, Charlie cheerfully compares himself to a counting horse, proposes "Glotz's Sugared, Caffeinated Water" as a marketing-bereft label for Coca-Cola, and attests, "At least when I was young, I wasn't a total klutz."

In one talk ("Practical Thought about Practical Thought?"), Charlie even takes on the challenge of building, from scratch, a \$2 trillion business, and then walks us through his diverse mental models to accomplish that mighty feat.

The quotes, talks, and speeches presented here are rooted in the old-fashioned Midwestern values for which Charlie has become known: lifelong learning, intellectual curiosity, sobriety, avoidance of envy and resentment, reliability, learning from the mistakes of others, perseverance, objectivity, willingness to test one's own beliefs, and many more. But his advice comes not in the form of stentorian admonishments; instead, Charlie uses humor, inversions (following the directive of the great algebraist [Carl] Jacobi to "invert, always invert"), and paradox to provide sage counsel about life's toughest challenges.

Charlie also employs historical and business case studies to great effect. In these presentations, he makes his points with subtlety and texture, often using a story-like context instead of abstract statements of theory. He regales his audience with humorous anecdotes and poignant tales rather than with a blizzard of facts and figures. He well knows, and wisely exploits, the traditional role of the storyteller as a purveyor of complex and detailed information. As a result, his lessons hang together in a coherent latticework of knowledge, available for recall and use when needed.

It is clear throughout these talks and speeches that Charlie places a premium on life decisions over investment decisions. His mental models, drawn from every discipline imaginable, recur repeatedly, and in no way focus on “business portfolio strategy” or “beta” or “CAPM.” Rather, they center on fundamental truth, human accomplishment, human foibles, and the arduous path to wisdom. Charlie once said, “I wanted to get rich so I could be independent, like Lord John Maynard Keynes.” Independence is the end that wealth serves for Charlie, not the other way around.

ABOUT THE BOOK

We open with a portrait biography that chronicles Charlie’s progress from a modest Omaha childhood to prodigious financial success. Next, we summarize the Munger approach to life, learning, decision-making, and investing. This section details both Charlie’s unconventional way of thinking and his extraordinary work ethic—the twin fonts of his amazing success.

In the balance of the book, Charlie speaks to his audience via speeches and talks he gave over a 20-year period. In the expanded third edition of the book, we added a new talk Charlie delivered at the USC Gould School of Law Commencement on May 13, 2007. So the original Ten Talks have grown to become a not-so-round Eleven Talks. These speeches and addresses cover a wide spectrum of Charlie’s interests, ranging from how one acquires worldly wisdom to how his multiple mental models can be applied to business to how the investment strategies used by charitable foundations can be improved. The 11th talk is a special rendition of “The Psychology of Human Misjudgment” that Charlie created especially for this book.

Each talk is well worth your time not only for the enjoyment it will provide you but also for what you can absorb from the rich assortment of ideas and practices that Charlie relies on. You will probably never find a better opportunity to learn from someone so smart—and so forthright. In his talks, Charlie simply opens up and tells it like it is. A special note: Charlie’s redundancy in expressions and examples is purposeful; for the kind of deep “fluency” he advocates, he knows that repetition is the heart of instruction.

A word about the style and layout of the book: Charlie is enormously curious about nearly everything he bumps into in life. Accordingly, as we ourselves bumped into people, places, and subjects mentioned by Charlie in his talks, we supplemented his text with related information. The endnotes peppered throughout the talks serve to explain concepts, add a supporting voice, or emphasize an important Munger idea. We hope these will not only inform but also amuse and even encourage you to further pursue these subjects on your own.

I wish you good reading and an appreciation of the brightness and dry humor that those of us who know Charlie Munger have come to treasure and expect from him.

A Portrait of Charles T. Munger

BY MICHAEL BROGGIE

Behind the extraordinary story of Berkshire Hathaway are two financial geniuses: the widely acclaimed Warren Buffett and his “silent partner,” Charlie Munger, who relishes his obscurity.

Charlie is Warren’s friend, lawyer, adviser, devil’s advocate (Warren once called him the “abominable no-man”), and one of the largest stockholders in one of the most successful publicly traded companies in American business history. Since 1964, when Warren—and, some years later, Charlie—assumed management of Berkshire, its market value has increased an astonishing 13,500 times, from \$10 million to roughly \$135 billion, without much of an increase in outstanding shares. Such phenomenal growth is the singular achievement of these two unassuming Midwesterners, who combine their synergistic abilities to recognize and seize opportunities other businessmen consistently overlook.

While Warren is one of the most admired and publicized business leaders in the country, Charlie has purposefully sidestepped the limelight, choosing relative anonymity instead. To better understand this complex and highly private businessman, we must start at the beginning. Charles Thomas Munger was born on January 1, 1924, in America’s heartland, Omaha, Nebraska. Many notables share his Midwestern roots:

Will Rogers, Henry Fonda, John Pershing, Harry Truman, Walt Disney, Ann Landers, Gerald Ford—and, of course, Warren Buffett.

Charlie initially crossed paths with the Buffett family during the formative years of his life when he worked at Buffett & Son, an upscale grocery store in Omaha, about six blocks from the Munger household. The boss and part owner was Warren’s grandfather, Ernest. A strict disciplinarian, he scheduled his young workers for 12-hour shifts with no meals or breaks. According to