

## Worldly Wisdom – Charlie Munger

### *Notes and Takeaways*

- Three ways to avoid pure misery
  - Don't ingest chemicals to alter your mood or perception
    - Addiction can happen to any of us through a subtle process where the bonds of degradation are too light to be felt until they are too strong to be broken
  - Dismiss envy
    - Envy will cause misery
  - Lose resentment
    - Work hard to quiet resentment, give up vengeance
- Four ways to add to value to yourself
  - Be reliable
    - Faithfully do what you have engaged to do
  - Learn from other's experiences
    - Learn from both the good and bad experiences of others
    - Learn from the best work done before yours
  - Learn how to bounce back
    - Pick yourself up quickly and move forward
  - Don't expect to have a plan for everything
    - You need to be fluid
- Minimizing objectivity will help you lessen the compromises and burden of owning worldly goods
- The sacrifices, and the wisdom, and the value transfer that comes from one generation to the next should always be appreciated
- **The safest way to try and get what you want is to try and deserve what you want**
  - By and large, the people who've had this ethos win in life, and they don't win just money and honors. They win the respect, the deserved trust of the people they deal with
- **The acquisition of wisdom is your moral duty**
  - Without lifetime learning you are not going to do very well
  - Go to bed every night a little wiser than you were that morning
    - This habit will help immensely particularly with a long road ahead
  - You can only progress when you learn the method of learning
  - "Nothing has served me better in my long life than continuous learning"
  - Once you have the ideas, you must continuously practice their use
    - Like a concert pianist, if you don't practice you can't perform well
  - Cicero said "A man who doesn't know what happened before he is born goes through life like a child"
    - Learn from history, learn from others
- Problems will frequently become easier from inversion

- Invert and analyze
- Avoid extremely intense ideology because it cabbages up one's mind
- "I feel that I am not entitled to an opinion unless I can state the arguments against my position better than the people who are in opposition. I think I am only qualified to speak once I have reached that state"
- **Life is very likely to provide terrible blows, and unfair blows**
  - How you recover is what separates people
- Envy, resentment, revenge, and self-pity are disastrous modes of thought
- Appeal to interest, not to reason, even when your motives are lofty
- **Intense interest in any subject is indispensable if you're really going to excel in it**
- Seek good judgement by collecting instances of bad judgement, then pondering ways to avoid such outcomes
- Man is easily fooled, either by cleverly thought out manipulation, by circumstances occurring by accident, or by very effective manipulation practices that man has stumbled into during "practice evolution" and kept in place because they work so well
- Psychological tendencies to be aware of
  - Reward and punishment super response tendency
    - Incentives and pain are some of the greatest motivators
    - Never, ever, think about something else when you should be thinking about the power of incentives
    - Repeat behaviors that work
    - Prompt reward work much better than delayed rewards in changing and managing behavior
    - Man is generally moral, however driven both consciously and subconsciously by incentives he drifts into immoral behavior in order to get what he wants
    - Widespread incentive-caused bias requires that one should often distrust in a sales process
      - Invert and analyze
    - Granny rule; eat your carrots before you get dessert
      - In business this means getting rid of the hard tasks before rewarding themselves by proceeding to pleasant tasks
  - Liking and loving tendency
    - Liker or lover will tend to ignore faults, or comply with wishes, of their affectionate lover
    - Distorting facts to facilitate an easier path for the person they have affection for is an issue
  - Dislike and hating tendency
    - Ignoring virtues in the object they dislike
    - Dislike people, products, and actions merely associated with the object of dislike
    - Distort facts to facilitate hatred

- Doubt-avoidance tendency
  - Puzzlement and stress over what is not known
  - Think religion
- Inconsistency-avoidance tendency
  - Another way of stating confirmation bias
  - Avoiding facts and thinking that creates inconsistency in your hypothesis
  - Be like Darwin who would intensely seek evidence that disconfirmed his hypothesis
- Envy/jealousy tendency
  - It is not greed that drives the world, but envy
  - Jealousy is a powerful motivator and will influence many to make choices or decisions based on the jealousy of others
- Reciprocation tendency
  - Giving a gift or showing generosity is very powerful and tends to illicit a response in kind
    - Man's belief in reciprocate-favor tendency has been practiced for eons
  - Reciprocation tendency subtly causes many extreme and dangerous consequences, not just on rare occasions but pretty much all the time
- Influence-from-mere-association tendency
  - Trained by previous experiences in life to believe that when several similar items are presented for purchase, the ones with the highest price will have the highest quality
  - Buyers who pay higher prices often receive higher status
  - Carefully examine each past influence, looking for accidental, non-causative factors associated with such success that will tend to mislead
  - Look for dangerous aspects of the new undertaking that were not present when past success occurred
  - “Keep your eyes wide open before marriage, and half shit thereafter” Ben Franklin
    - See it like it is and love it anyway
  - Avoid Persian Messenger Syndrome – killing the messenger
    - Proper antidote is to welcome bad news and address it promptly
- Pain avoiding psychology
  - The reality is too painful to bear, so one distorts the facts until it becomes bearable
- Excessive self-regard tendency
  - Excessive self-regard diminishes the foolish bettor's accuracy in appraising his relative degree of talent

- Fixable but unfixed bad performance is bad character, and tends to create more of itself, causing more damage to the excuse giver with each tolerated instance
- In demanding places, like athletics and big tech companies, you are almost sure to be discarded in due course if you keep giving excuses instead of behaving as you should
- Deprivation-super reaction tendency
  - Loss seems to hurt much more than the gain seems to help
  - Pain avoidance compounds this
- Social proof tendency
  - An automatic tendency to think and act as you see others around you thinking and acting
  - Must learn to go the other direction
  - Resisting the social contagion of bad behavior can be very hard
  - In social proof, it is not only action by others that misleads but also their inaction
  - Learn how to ignore the examples from others when they are wrong, because few skills are more worth having
- Contrast misdirection
  - When compared to something else it is not analyzed and considered independently
    - Good example are car and house sales
    - \$10,000 is a lot of money, but when looking at \$1,000,000 house it begins to look far smaller
- Stress influence tendency
  - Light stress can improve performance, heavy stress will almost assuredly cause dysfunction
  - Learn how to manage this stress – exercise
- Use it or lose it tendency
  - All skills diminish with disuse
  - Throughout life, a wise man engages in practice of all his useful rarely used skills, many of them outside his discipline, as a sort of duty to his better self
  - The hard fact of use it or lose it tendency tempers its harshness for the diligent
    - Diligently focus and hone your knowledge every day
- Be aware of these tendencies and know when they are manipulating you and those around you