

I was fortunate enough to have had the pleasure of interviewing Peter Bevelin in October of 2007 (click [HERE](#) for that interview). He was kind enough to agree to a second one. I can't recommend his book, *Seeking Wisdom*, enough. I think it is one of the very best books a person could ever read on the type of learning Charlie Munger recommends (the multidisciplinary/mental model approach), and it is available [HERE](#).

2009 Interview with Peter Bevelin, author of *Seeking Wisdom: From Darwin to Munger*
By Joe Koster

If we make the assumption that Warren Buffett is going to be running Berkshire Hathaway for another 20-30 years, what advice would you give a 20-30 year-old today in regards to what he or she needs to learn over those years to be capable of taking over the job for Warren when he retires? And what qualities will be especially useful for seeing those risks that are important, but have never happened before? And why did Munger once say that Warren is a better investor than him?

I always try to remember what Munger once answered to a question: "I don't have any special competence that would enable me to answer that question." And I can't answer your question on Buffett. Buffett is what Munger calls a Lollapalooza. If you go back and read the notes from the Wesco annual meeting in 2007, you get some clues on what factors contribute to his greatness (also by reading *Poor Charlie's Almanack*, created by Peter Kaufman).

I may be wrong, but I don't think I am totally wrong, but I believe there are some general characteristics that are important to reduce investment sorrow (no order of importance and not considering the eternal virtues of price, management and moat). Some examples:

1. The importance of knowing what you know and don't know. There is a lot of wisdom in this remark from Eitan Wertheimer: "I had a very big lesson from Warren: the use of the word discipline...We learned very quickly that our most important asset is our limitations...The second thing we understand is that when we respect our limitations we don't suffer from them anymore."

2. Not putting all your trust in checklists (causing a false sense of security and control, just like wearing a seat belt makes drivers feel more secure, making them drive faster or more recklessly). Trouble often comes from the direction we least expect. I like this fable by Aesop:

"A Doe who had had the misfortune to lose the sight of one of her eyes, and so could not see anyone approaching on that side, made it her practice to graze on a high cliff near the sea. Thus she kept her good eye toward the land on the lookout for hunters, while her blind side was toward the sea whence she feared no danger. But one day some sailors were rowing past in a boat. Catching sight of the doe as she was grazing peacefully along the edge of the cliff, one of the sailors drew his bow and shot her. With her last gasp the dying doe said: "Alas, ill-fated creature that I am! I was safe on the land side, whence I looked for danger, but my enemy came from the sea, to which I looked for protection."

Montaigne said: "Death can surprise us in so many ways." For example, recurring revenue streams may stop or long-term customers may disappear. Remember what has happened to newspapers. As Alice Schroeder wrote on Buffett in *The Snowball*: "He tended to extrapolate mathematical probabilities over time to the inevitable (and often correct) conclusion that if something can go wrong it eventually will."

3. Related to the above is the importance of resilience and redundancy. Let me exemplify by some quotes from our heroes:

Munger: “Of course you prefer a business that will prosper even if it is not managed well. We are not looking for mismanagement; we like the capacity to withstand it if we stumble into it... having a margin of safety running through the whole system.. All our super-cat policies have limits – meaning the maximum we can pay under a single policy. We can add up all those maximum limits. And when we get to a number that would make us squirm in our seats, we stop writing it... We try and operate so that it wouldn't be too awful for us if something really extreme happened – like interest rates at 1% or interest rates at 20%... We try to arrange [our affairs] so that no matter what happens, we'll never have to “go back to go.”

Buffett: “We want to always keep a lot of money around. We have so many extra levels of safety we follow at Berkshire... in financial markets, almost anything that *can* happen *does* happen. And it pays to conduct your affairs so that no matter how foolish other people get, you're still around to play the game next day.”

Try to follow the advice of Confucius: “The superior man, when resting in safety, does not forget that danger may come. When in a state of security he does not forget the possibility of ruin. When all is orderly, he does not forget that disorder may come. Thus his person is not endangered, and his States and all their clans are preserved.”

4. Pascal's lesson as told by Buffett: “If we can't tolerate a possible consequence, remote though it may be, we steer clear of planting its seeds.”

5. Absence of a need to invest all the time. As Buffett said: “You only have to do a few things right in your life as long as you don't do too many things wrong.” Also, Seneca said: “The mind must be given relaxation; it will arise better and keener after resting.”

6. Knowing what to avoid. As Buffett recently said on Wells Fargo: “The real insight you get about a banker is how they bank. You've got to see what they do and what they don't do. Their speeches don't make any difference. It's what they do and what they don't do. And what Wells didn't do is what defines their greatness.” Isn't that wise? My favorite Munger quote on this is: “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.”

7. Temperament is more important than intelligence. As Buffett said: “Independent thinking, emotional stability, and a keen understanding of both human and institutional behavior are vital to long-term investment success.”

8. Keynes' advice: “It is better to be roughly right than precisely wrong.”

9. Thinking like a businessman and investor. As Buffett said: "Being a businessman makes me a better investor and being an investor makes me a better businessman."

10. Keeping things simple. I love this Munger quote: “We use a lot of experience and do it [investment returns] in our heads. We don't like complexity and we distrust other systems and think it many times leads to false confidence. The harder you work, the more confidence you get. But you may be working hard on something that is false. We're so afraid of that process so we don't do it.”

11. Understanding the fundamental importance of trust to life and business. As Oliver

Wendell Holmes said: “Put not your trust in money, but put your money in trust.” And to quote Seneca in the choice of friends: “After friendship is formed you must trust, but before that you must judge.” Think about how much life is improved by being around people you can trust. Or to invert – think about the misery of being around people you can’t trust. And it simplifies life. As Munger said: “When you get a seamless web of deserved trust, you get enormous efficiencies.”

12. An ability to tune out folly and noise. For example, physicists have a wonderful ability to eliminate unimportant details and focus on what matters. Professor Douglas Hofstadter once said that thinking is all about the ability to look at complex situations and strip away things that don’t count – the ability to filter out situations, and [find] what’s at their core. Something Buffett and Munger are extremely good at.

In your opinion, why is there so much difference in opinion when it comes to economics? For example, conservative, liberal, and the Austrian School economists all seem to have dramatically different economic theories on causes and solutions to crises. Is economics a science that hasn’t evolved enough, one that has evolved too quickly, or are their other factors that keep smart people from coming to even a general consensus?

Since economics is not an exact science (if it is a science at all) there exist a lot of opinions, ideas and therefore different “schools” and personal beliefs and ideologies. How could it be otherwise?

Many of the big ideas in economics, like Ricardo’s principle of comparative advantage and Smith’s idea on the gains from specialization and division of labor, are hundreds of years old. Then something happened. As the 18th century Irish statesman Edmund Burke said: “The age of chivalry has gone: the age of economists, sophists and calculators has arrived.” Not much has happened since then except that now economics focuses on econometrics and statistics. After World War 2, mathematics was turned into an obsession where economists overemphasized techniques over ideas. But reality is a little bit too messy to be put into an equation. There is too much uncertainty. Too many factors and possible outcomes (see more about this in part three of my book). As Keynes said: “Too large a proportion of recent “mathematical” economics are mere concoctions, as imprecise as the initial assumptions they rest on, which allow the author to lose sight of the complexities and interdependencies of the real world in a maze of pretentious and unhelpful symbols.”

Their models may be rigorous but the key is whether they are useful. Is it physics envy? I would characterize it more as mathematics envy. Physicists are more empirical. Economists imitate mathematicians in their effort to try to prove theorems. It is more applied mathematics than science. Furthermore, economists often forget side effects, as they call it, meaning effects they didn’t foresee or didn’t want to think about. But as Buffett has said over and over again: “The most important question in economics is, “And then what?”

Let me end with Keynes again:

"I also want to emphasise strongly the point about economics being a moral science. I mentioned before that it deals with introspection and with values. I might have added that it deals with motives, expectations, psychological uncertainties. One has to be constantly on guard against treating the material as constant and homogeneous. It is as though the fall of the apple to the ground depended on the apple's motives, on whether it is worth while falling to the ground, and whether the ground wanted

the apple to fall, and on mistaken calculations on the part of the apple as to how far it was from the center of the earth."

Several books have come out within the past year, such as *Outliers*, *Talent is Overrated*, and *The Talent Code*, which discuss the concept of greatness and the process it takes to achieve it. They basically say that the key to achieving greatness is a very specific kind of really hard work, or deliberate (or deep) practice, assuming one is in a position to perform that kind of deliberate practice (which is often a factor of luck and culture). Can you comment on the kind of deliberate practice activities you think: (1) makes a great investor; (2) it takes to be an overall great thinker? Also, can you give an example of the type of work you put in when trying to master a particular mental model?

Please, tell me the secret formula on how to get rich, be the best thinker, lose weight, have a happy marriage and solve all my problems quickly. There are no secret formulas or shortcuts and beware of the articulate incompetents and false prophets – they sound impressive and clever but lack substance. I can only refer to what Buffett said in the foreword to *Poor Charlie's Almanack*: "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." Of course, Munger's views on how to get worldly wisdom help.

Personally, I read a lot. I have to work things out for myself to understand them. I try to use the "see one, do one, teach one" approach used in medical education (but change it to "do many" and in multiple situations and over time). I often go from reality (something I have seen) to find answers among ideas. I don't try to fit reality to an idea. And then I try to find more examples on an idea from reality. Finally, I try to explain it to someone else. Writing *Seeking Wisdom* was such an exercise – I forced myself to learn by teaching someone else. And reading Feynman at an early point helped me where I clearly learnt the difference between knowing the name of something and knowing what goes on since knowledge is only valuable if it's useful and something is only useful if I understand what it means. What I in my book called meaning and asking, "what happens?"

I try to concentrate on learning practical and consequential things that can help me reduce the chance of sorrow.

When you talk about deliberate practice or working on what you're bad at, just remember this Munger quote: "Each of you will have to figure out where *your* talents lie. And you'll have to use your advantages. But if you try to succeed in what you're worst at, you're going to have a very lousy career. I can almost guarantee it. To do otherwise, you'd have to buy a winning lottery ticket or get very lucky somewhere else." Also, as Munger said, what often causes greatness or a Lollapalooza is when many factors work together in the same direction (as in the case of Buffett).

In a recent interview with Bill Gates and his father, the elder Gates mentioned two traits that he thought really described his son's success: curiosity and hard work. An intense curiosity has also been used to describe so many of the great minds throughout history, such as Ben Franklin, Darwin, Einstein, Feynman, among many others (including Buffett and Munger). Can you describe what you're currently curious about? And is there anything you became more curious about while curiously writing your book?

I have a peculiar kind of mind that is continuously curious. Especially on things that relate to human nature and the brain in all its colors. For example, one thing that presently fascinates me is the workings of placebo and nocebo. And isn't this fascinating – after you have read this you will never be the same. Not that my answers will have any dramatic impact but I am talking about the fact that all experiences modify the brain.

When I wrote *Seeking Wisdom*, I got more curious about DNA-testing and diagnostic screening and the uncertainties involved.

I have been reading a lot about the ancients and their wisdom lately. On and off I write on a memo for my children and myself. I call it “*THE WISDOM SEEKER: Uncommon Sense from the Ancients to Munger.*” It is about a man who wants to become wiser and visits a place I call “The Library of Wisdom.” In the library he meets and learns from wise people like Cicero, Newton, Einstein, Munger, etc. Reading ancient history has reinforced the notion that people's behavior stays the same. As the saying goes - "Plus ça change, plus c'est la même chose" or the more things change, the more they stay the same - just different actors.

I believe Charlie Munger has mentioned that if he could live another lifetime, he may spend most of it trying to fix the education system. I know it is a complex and detailed subject, one that Bill Gates said in a recent interview is his hardest one to solve, but could you give a couple of things that you think schools, on any level, should do better?

What do we need to teach? A preparation for real life; that is [composed of] useful knowledge of practical consequence, not recitation of facts. The purpose of education is not to fill the minds of students with facts – it is to teach them to think, and to think for themselves. To quote James Clerk Maxwell: “It is very necessary that those who are trying to learn from books the facts of physical science should be enabled to recognize these facts when they meet them out-of-doors.”

We need to learn some general and time-tested principles. Any theory or model that doesn't work in practical reality should be banned. Practical applications are key. If what a student learns isn't tied to reality, he cannot possibly remember what he has learned. And then a student needs to practice what he learnt.

Any educational experience must also tell stories – teach from real life situations from the experiences of others. We don't pay attention to boring things. To quote Horace Mann: “A teacher who is attempting to teach without inspiring the pupil with a desire to learn is hammering on a cold iron.” We need more drama in class and more stories on failures, before we make them ourselves. Like the air flight simulator but when it is complemented with pilots hearing from other pilots (stories) who failed in real life. The U.S. Army conducts “After Action Reviews” that enable participants to analyze, discuss, and learn from both the successes and failures of a variety of military initiatives. Hospitals use “Morbidity and Mortality” conferences (in which physicians convene to discuss significant mistakes or unexpected deaths) as a forum for identifying, discussing, and learning from failures. And when a plane crashes, investigators retrieve the flight recorder and try to find out what went wrong. Why doesn't academia learn more from failures?

Instead of teaching formulas to solve problems, wouldn't it be better to teach the student the art of thinking and where to look for answers to various problems? And wouldn't it be better

to teach students that most of life's problems have no easy solutions? And to teach them to learn to know when they know something and when they don't?

Of course, I may be totally wrong. Like Cicero said: "No one can speak well, unless he thoroughly understands his subject."

Have you come across any big ideas, in any field of study, within the last couple of years that have altered some of your previously held beliefs, or reinforced those that you already had?

One thing that has been reinforced is how hard it is to change people's opinions or beliefs. On the other hand, this is understandable. As the author Jacob Braude said: "Consider how hard it is to change yourself and you'll understand what little chance you have of trying to change others." The lesson? It is better to avoid situations where we need to change people. Also, in the end, each of us has to respect that others may disagree with us.

Also, how quick we are in drawing conclusions. For example, I am often too quick in being judgmental and forget how I myself behaved or would have behaved if put in another person's shoes.

Another thing that has been reinforced is how much uncertainty and randomness there is in the world. But what also has been reinforced – especially during the financial crisis – is how hard it is to accept this. I am referring to our hate of uncertainty and the unknown or our strong psychological need a) for control of what will happen to us, b) for reasons why something happened and c) to know what will happen in the future. There is a poem by Miroslav Holub that well illustrates our need of a map of hope – a sense of control so uncertainty is reduced:

Albert Szent-Gyorgyi, who knew a lot about maps according to which life is on its way somewhere or other, told us this story from the war due to which history is on its way somewhere or other:

The young lieutenant of a small Hungarian detachment in the Alps sent a reconnaissance unit out into the icy wasteland. It began to snow immediately, snowed for two days and the unit did not return. The lieutenant suffered: he had dispatched his own people to death.

But the third day the unit came back.
Where had they been? How had they made their way?
Yes, they said, we considered ourselves lost and waited for the end. And then one of us found a map in his pocket. That calmed us down.
We pitched camp, lasted out the snowstorm and then with the map we discovered our bearings.
And here we are.

The lieutenant borrowed this remarkable map and had a good look at it. It was not a map of the Alps but of the Pyrenees.

Personally, I try to improve my understanding of what really can be explained or usefully predicted and what can't. And sometimes finding an answer doesn't mean anything or doesn't lead to a rational course of action.

Can you describe the importance of skepticism in this world? It seems that it is so easy to fall for a good story and fall for the sensemaking trap described in your book. Do you have any red flags or checklists you use in these situations? I think you may have touched on one in our previous interview: *Why should I believe this?* – Show me the evidence + Compared to what?

First of all, I try to follow Pascal's philosophy – only be skeptical about matters that really can hurt me if I'm wrong. So by this, I eliminate a lot – I don't even think about it. Second, I try to learn how to recognize crap, including my own. There are many things I don't do or think about – elimination is a great conservator of effort.

Generally, keep it simple and use some filters. Some questions I ask myself: Is it important? If yes, is it knowable? If yes, is this within my circle of competence? Which of course assumes that I know what I know and can do, and what I don't know and can't do. Otherwise I exclude and throw it in to too hard pile. If within, then, any testable argument should be tested – What is the evidence? Can I disprove it? Compared to what (including negative cases and non-events)? Randomness content? If I believe this, what would follow? What would I have to check out? What ideas can help me? I wrote more about this in part three of my book.

Take medicine and research as an example where my skepticism has increased. For example, there is a great article by John Ioannidis - *Why Most Published Research Findings Are False*. (<http://www.plosmedicine.org/article/info:doi/10.1371/journal.pmed.0020124>)

Montaigne best illustrates another “filter” - assumptions are useful but only to the extent that they are valid: “I realize that if you ask people to account for ‘facts’, they usually spend more time finding reasons for them than finding out whether they are true... They skip over the facts but carefully deduce inferences. They normally begin thus: 'How does this come about?' But does it do so? That is what they ought to be asking.”

Also regarding making comparisons, take Robyn Dawes' discussion on the crash of Western Airlines Flight 903. He says that to find out the cause of the crash, we have to compare the crash with cases where no accidents happen. For example, just because pilots are often tired before a crash doesn't give us any insights if it is important, unless we know they are often not tired before a safe landing. (There is a good interview with Dawes called, *Ethics, science, and the helping professions: a conversation with Robyn Dawes*.)

http://findarticles.com/p/articles/mi_hb3060/is_1_39/ai_n29007242/?tag=content;coll

In our previous interview, you gave a great list of books from which you learned a lot. Which books have you read in the last couple of years that you have also learned a lot from and can recommend for our readers?

I read so many books but to mention a few I liked. [The Strategist](#) by Robert Dodge - about the Game Theorist Thomas Schelling. [The Electric Life of Michael Faraday](#) by Alan Hirshfeld. Niall Ferguson's [The Ascent of Money](#), [The Choice](#) by Eliyahu Goldratt, [Brain Rules](#) by John Medina. Joshua Cooper Ramo's [The Age of the Unthinkable](#), and [The Match King](#) by Frank Partnoy. The most recent book I read was [The Invisible Hook](#) by Peter Leeson. It's about pirates. It clearly showed that there was honor among thieves. Rules, incentives and disincentives were needed for proper functioning. As you can see I read all kind of books. It's fun!

Finally let me end with some wise words from the Greek historian Herodotus: “If a man insisted always on being serious, and never allowed himself a bit of fun and relaxation, he would go mad or become unstable without knowing it.”

Many Thanks and I wish you and your readers a happy, healthy and prosperous life.

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Peter Bevelin