

## **Interview with Peter Bevelin, author of *Seeking Wisdom - from Darwin to Munger***

*By Joe Koster*

**Q: In the introduction of your book, you mention that you owe a great debt to Warren Buffett and Charlie Munger and that if you had listened to them earlier in your life, you would have avoided many expensive mistakes. Could you elaborate a bit on how you first came across Warren and Charlie, how your process of learning from them began, and maybe even mention a couple of the mistakes that you may have avoided had you come across them earlier?**

I first came across the name of Warren Buffett in 1986, when I was on a plane between New York and Miami and picked up Fortune Magazine in the seat in front of me. Back home in Sweden I immediately ordered Berkshire's annual reports. But I was a slow learner. I didn't really pick up his and Charlie Munger's wisdom until I went to my first Berkshire annual meeting in 1994. What did I learn? – How to think about businesses and investing, how to behave in life, the importance of ethics and honesty, how to approach problems but foremost how to reduce the chance of meeting problems. As Munger says: "All I want to know is where I'm going to die so I'll never go there." When I hear them at the annual meeting, I am thinking about Einstein's reply to a student. The student had challenged Einstein's statement that the laws of physics should be simple by asking: "What if they aren't simple?" Einstein replied, "Then I would not be interested in them."

They have a unique ability to distinguish masses of trivia from what is really important – to filter out situations, and find what's at their core. They tell the simple, blunt truth rather than say things that sound good.

In the past, I complicated things too much, I put too much trust in people that really shouldn't be trusted, I wasn't enough skeptical, I bought into things merely because they were cheap etc. In short, I wasn't thinking and I was lacking the Munger ability to un-learn my own best-loved ideas. The stock certificates of some of my earlier investments in private businesses are now used as lining in my old overcoat; at least they had a nice color. And is there really any other way to approach investments than their way? Turn it around and ask what are the effects of investing in things we don't understand, lack advantages and have a dishonest and incompetent management and that can be bought at a high price.

I found that I could increase my chance of making better judgments if I could learn what works and not, if I adapt what I do to my personal situation, and if I could establish some values and preferences. If I then could set up some avoid-rules and filters/tests to judge what make sense or is important or not, life could be improved (even if I still do some mistakes but hopefully I am less of a fool now). Also remember that all decisions aren't important. Some people spend more time making a judgment on what TV to buy or where to go on vacation than a life-changing decision like marriage.

**Q: Charlie Munger has mentioned that a great way to learn Adam Smith's ideas is to first learn about Adam Smith. Do you believe that this idea of learning about the "teacher" before the "lesson" is truer in some disciplines than in others and do you have any examples when this method of learning was especially useful to you?**

Experiments have shown that we learn better if information is tied to a vivid story. So, I would say, it depends. In some cases the "Smith-model" is superior and in other cases I may learn better in some other fashion. For example, I learnt a lot from reading *The Autobiography of Charles Darwin*. But I also learnt a lot of Einstein's ideas by reading *Mr. Tompkins in Paperback* by George Gamow. See also what I wrote about Reason-respecting (20 in the book). On the other hand, when reading, we must constantly watch out for the sensemaking trap (19 in my book) since we are so easily influenced when we are told stories or given information in a "story-format."

**Q: As you state in the introduction, “This book is for those who love the constant search for knowledge. I have focused on explaining timeless ideas. The number of pages I have devoted to each idea does not reflect on its importance. My goal is to lay the foundation.” Once readers acquire the foundation they receive by reading *Seeking Wisdom*, where should they go next? Specifically, what is the first thing that you would recommend they should pick up to start learning more about the big ideas in the discipline of Math? Psychology? Physics? Biology? Chemistry? Economics? Engineering? Philosophy?**

Look around you – observe reality. What can explain this? Learn some core concepts that account for reality. Start from the basics for each discipline and emphasize the understanding of general principles and use simple real-life examples to illustrate principles. Read, read and think about what you have read. Look for understanding. What is going on here? What is the core idea? What is the evidence that it is right? Also remember what Richard Feynman once asked someone who remarked that he had read a book. “But, did you *learn* anything?” Understand an idea’s meaning and applications. Focus on useful and obviously important and correct general ideas, concepts and principles. What does it mean? What happens? What is the effect?

**Q: As many value investors have been taught, it is more important to focus on the process of doing something instead of solely focusing on the outcome of that process. Do you have any tips that may help people along the process of “seeking wisdom?” Should someone focus their attention on learning many ideas from one or two disciplines at a time, or by learning many disciplines one or two big ideas at a time?**

There are principles, which apply to all different kind of phenomena. For example, JB Williams’s definition of value is applicable for all financial assets. Personally, I started with biology and psychology since knowing some human constraints and “brain traps” I could avoid some things by for example using some “avoid-rules.” Why can’t we all be nice, honest and rational? (And why can’t we all have wings and thus eliminate department store escalators?). I favor ideas that explain a whole range of phenomena. For example, biology (evolution and natural selection) explains why people: fear losses but take big risks when threatened, fear strangers, trust similar people, cooperate, imitate, fear social disapproval, make fast judgments, and overreact to vivid information.

Also, some disciplines are more reliable than others. For example, disciplines describing experimentally tested ideas, concepts and principles.

Some other examples on disciplines and ideas that explain a lot: Mathematics (scaling) explains how living things are shaped and constrained by basic mathematical principles. For example, why: no giants exist, a mouse can survive a big fall but not a human, some animals have short and thick legs, larger plants have leaves, small animals can’t live in cold countries, ants can lift such a big load, and grasshoppers can jump so high relative their body sizes. Mathematics (combinatorics) and Physics (systems theory) explain why: we can’t predict the economy, it is hard to make money on new ventures, most projects take more time and money than we anticipate, nuclear accidents happen, we will have more electrical black-outs, coincidences occur, and some mutual funds beat the index.

**Q: Are there any books in which you believe the models presented within those books are so important that you make it a habit to re-read them every year or every couple of years?**

All of Charles Munger’s speeches. Most of them can be found in Peter Kaufman’s *Poor Charlie’s Almanack*. I also re-read Hardin’s *Filters Against Folly*.

**Q: Charlie Munger once said that he can't afford (\$) to have too many friends like Peter Bevelin because when you recommend a book to him, it is so good that Charlie feels compelled to buy a copy for all of his friends and family. So, have you made any recommendations to Charlie or read any of those "need-to-send-everyone" kinds of books recently?**

No comments.

**Q: Can you give a Top 10 list of books that really changed the way you view the world?**

Some books that I really learnt a lot from (in no order of preference):

Cialdini Robert B., *Influence: The Psychology of Persuasion*

Darwin Francis (editor), *The Autobiography of Charles Darwin and Selected Letters*

Dawes Robyn M., *Everyday Irrationality: How Pseudo-Scientists, Lunatics, and the Rest of Us Systematically Fail to Think Rationally* (it really introduced me to the value of always asking: Why should I believe this? – Show me the evidence + Compared to what?)

Feynman Richard, *The Character of Physical Law* and *The Meaning of it All: Thoughts of a Citizen Scientist*

Hardin Garrett, *Filters Against Folly: How to Survive Despite Economists, Ecologists, and the Merely Eloquent*

Lowenstein Roger, *Buffett: The Making of an American Capitalist*

Montaigne Michel de, *The Complete Essays*

Nassim Nicholas Taleb, *The Black Swan*

**Q: Can you talk a little about the process of writing your book? I think you did a magnificent job of pulling things together into a logical and understandable order and I imagine it was quite the experience organizing all the models that you have acquired over the years from your mind down on to paper.**

Gene Fowler once said: "Writing is easy. All you do is stare at a blank sheet of paper until drops of blood form on your forehead." Most people can do what I did. I am not especially smart or talented. It just takes curiosity and real interest. After being inspired by Charles Munger's lectures on worldly wisdom (from *Outstanding Investor Digest*), and after reading Darwin, I took some time off business and started reading books in biology, neuroscience, psychology, and physics. As Warren Buffett once said: "I think you can learn a lot from other people. In fact, I think if you learn basically from other people, you don't have to get too many ideas on your own. You can just apply the best of what you see." Then I wrote down what I learned – I put together some key thoughts as a crude working model (what I found was that I couldn't really synthesize things sitting in front of the computer. Like Arthur Schopenhauer said: "Thoughts die the moment they are embodied by words." I could only see various connections between things and the big picture when I was out walking thinking about something else). Since sorrow feels worse than happiness feels good, I concentrated on learning causes of what I wanted to avoid – things with huge consequences.

I also spent some time visiting the Neurosciences Institute in La Jolla where I got some real understanding of how our anatomy, physiology and biochemistry constraints our behavior. I also interacted with a lot of science people via the Internet. Remember, I did this not to write a book, but to improve my own thinking and as a kind of memorandum to my children. I had no time constraints. And I loved it! Exploring and learning new things give me great satisfaction. When I started to read and write some of my friends said: what's that good for? Why do you waste time studying that? How can that help you make money? Usually I don't like to answer these questions, not because I don't believe that the basic insight into how things work will not pay off at some time, but because I believe that acquiring insight is in itself a worthwhile effort. As Benjamin Franklin said: "If a man empties his purse into his head, no one can take it away from him. An investment in knowledge always pays the best interest."

**Q: Finally, is there anything people may be surprised to know about you? Any unique interests?**

People immediately assume that merely because I have written a book containing a lot of science, I must be a professor or an academic. I am not. Regarding any unique interests – nothing that would interest your readers.

I wish you and your readers a happy day – Everyday!