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Corporate America Will Miss Munger-As-Mencken: Alice Schroeder



Illustration by Jason Polan

By [Alice Schroeder](#) Jul 15, 2011

Charles T. Munger, vice chairman of Berkshire Hathaway, has been [Warren Buffett's](#) sidekick since 1959. While Buffett made a name for himself as a statesmanlike critic of inept auditors, see-no-evil regulators, fee-gouging money managers and greedy CEOs, Munger gradually emerged from Buffett's shadow to tongue-lash those same targets mercilessly.

Munger, 87, delighted in ripping open the disappointing realities of economic life to reveal them as he saw them. No one but he would say, as he did recently, that if he ran the European Union he would never have let in [Greece](#), a country full of people who "are raising hell about having an adult life" and who feel that "having a job ruins eight hours a day."

A man who speaks this way is going to make enemies. Buffett, 80, has made his share, but Munger has a higher tolerance than Buffett for being disliked. He has come to play a role in the business world not unlike that once played by the critic H.L.

Mencken, who stabbed the puffed-up preservers of the status quo with the sharp needle of searing, unforgettable prose.

I've heard Munger called hypocritical, heartless and pompous. Munger describes himself as imperious, irreverent and arrogant. It's good to have somebody like that around. The business world is better off with a Munger to point out how far it has strayed. The people who control the world's commerce need to hear it from one of their own.

Raisins and Turds

Besides, nobody else would say a lot of the entertaining things that have come out of Charlie Munger's mouth, such as when, in 2000, he criticized bankers who foisted worthless Internet stocks on the public by saying, "If you mix raisins and turds, they're still turds."

[Wall Street](#) has long been a favorite target of Munger's, and it holds a special enmity for him. He's called bankers megalomaniacs, bucket-shop operators and evil. Whatever the latest Wall Street money-making scheme, up rose Munger to decry it. His latest volley was to say that it's like letting "rats loose in the granary" to allow high frequency trading in stocks, which should be considered legalized front-running.

Munger is not only a critic and Buffett's partner, but also a lawyer, real estate investor, CEO and philanthropist. He has used his sharp tongue in service of decisive action to avert intolerable risk. One episode in the late 1980s, when the savings and loan industry was using accounting tricks to create capital out of thin air, sticks out in my mind as perhaps his finest hour.

Bailout and Backlash

The S&Ls were careening toward a crisis of widespread bankruptcies that would destroy depositor savings, require a taxpayer bailout and result in a furious public backlash. Munger, who is chairman and chief executive officer of Berkshire's savings and loan operation, Wesco Financial, foresaw that Wesco's better behavior wouldn't prevent it from being tainted by association.

He not only throttled back Wesco's lending, but also took an extreme stand to distance Wesco from the other savings and loans by resigning from the U.S. League

of Savings Institutions in a letter. In it, he likened the trade association to metastasizing cancer cells and called its lobbying practices “flawed, indeed disgraceful.”

Quixotic Move

It was a quixotic move, one that only a person who was willing to be detested by an entire industry would make. The move also paid off when the S&L crisis erupted and Wesco avoided being splattered with mud. It was Munger’s actions in the S&L crisis that started Berkshire on its road to being held up as the moral exemplar of corporate America. Its reputation was later cemented when Buffett assumed the role of interim chairman of Salomon Brothers Inc. to save the company, in which Berkshire had a major investment, from bankruptcy after Salomon was caught covering up an employee’s rigging of Treasury-bond auctions.

I’ve wondered what makes a man a Munger. He isn’t trying to be a hero. Perhaps a person who feels that something innate in him means he will be disliked finds that easier to tolerate if he provokes the disapproval himself. It’s ironic, or predictable -- maybe even both -- that a man who cultivates enemies with broadsides against the comfortably selfish has won a large audience of fans, and I mean fans in the fanatical sense of the word.

Nature of Suffering

On July 1, Munger held an informal meeting to replace the annual shareholder meeting of Wesco, which had been a publicly traded subsidiary of Berkshire until it acquired the rest of Wesco’s shares earlier this year. His audience of hundreds had traveled from across the U.S. on a holiday weekend to listen to their hero.

Among many other subjects, Munger talked about the nature of suffering. I believe he did this partly to clarify a statement made last year, when his mouth got him into trouble for saying that individuals who had been hurt by the financial crisis should “suck it up, buddy.” Munger was telling the one group of people who had not been bailed out to suck it up, and I was among the many who criticized him for having a “let them eat cake” attitude.

Munger thinks of adversity as an opportunity, and said that “you should assume life will be tough, and ask yourself if you can bear it, and if so, smile and go on.” Hence,

suck it up. In his personal life, Munger has sucked it up a few times, after the loss of a young son to cancer, after being blinded in one eye, after the death of his wife last year.

Darwinian View

He also said he had not used his own wealth to “avoid all misery” and deliberately took on some projects in his career that were not financially enriching and that caused him various forms of grief. Even so, under Munger’s Darwinian view of the world, he is one of the survivors who’s prospered rather well, and I would still like it better if he showed more sympathy toward the weak. But then again, if he did, he wouldn’t be [Charlie Munger](#).

On July 1, Munger said he was giving his swan song. Get a new cult hero, he told his audience of hard-core fans. Suck it up. It’ll be good for you. That’s probably true, but I hope this isn’t the last we hear from Charlie Munger. I, for one, am going to miss him. And so will the business world, which needs people like him.

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