

Seeking Wisdom from Darwin to Munger by Peter Bevelin

The concept of scale is extremely important in all aspects. Mathematical principles shaped and constrain all living organisms. The strength of a muscle or a bone is a function of cross-sectional area, but does not increase at the same rate as weight or volume. Scale up an organism and sooner or later it will be too weak to support its own weight without thicker bones. The acquisition of a new employee should not be evaluated by his yearly salary, but by his lifetime salary factoring in rises, benefits and other expenses. The United States' GDP is literally the return of the entire market including a plethora of low-yield businesses (utilities, telecom) that bring that number down far below common index (SP500, Dow30, Nasdaq) returns.

People are more averse to loss than motivated by gain and typically use primitive, assumptive pattern recognition rather than more intensive "if-then" logic. The average person will commonly abandon their morality for self-gain. It's most common for those acting improperly to do so with a self-deluded pacification that they represent a religion, political, or philosophical ideology. Incentives are everything and rewards are far more effective than punishments. People become the most hostile when their money or power is removed. The typical person is more willing to do nothing than make a decision without realizing that they chose to do nothing which is a decision.

The projections of professionals are wrong so frequently that top performers like Warren Buffett find them to have no utility whatsoever. The CEOs of most corporations have likewise been found to be so chalked full of sycophantic Yes-men that there is little rationality within that cocoon of inevitable self-delusion. The emotional sunk costs of irrationality grow the longer a bad situation is prolonged. The person at fault will be more apt to follow-through on a bad decision if it's made publicly. Attorneys and PhDs get years of their lives wound up in their schooling and refuse to refute the obvious invalidity of certain teaching for fear of loss in status and embarrassment. The security induced by high salaries causes disengagement and apathy. Charlie Munger adds that honesty will get people fired in most corporations.

It's a tragedy for a rich person to go broke once they've achieved wealth since there is no reason to take such risk. Unhappiness is often caused by an unwillingness to sit idly and refrain from foolish overactivity. In the same way, fools speak only to say something when they truly have nothing to say as told by Plato. The foolish are those who don't ask questions.

Warren Buffett admits that even he has failed to persuade rationality into decent, intelligent people who were acting irrationally. The best method of the poor methods for persuading better action is by asking questions that illuminate consequences rather than applying pressure. The qualities required to achieve a successful business are integrity, intelligence, experience, and dedication. It makes more sense to attempt the elimination of ignorance rather than the sudden accumulation of vast knowledge. The key things produce nearly all the value in most businesses and it makes sense to determine the most efficient allocation of time, work, attention, and money to keep things simple. The best thing that someone in a dying industry can do is switch industries.

The best path forward can often be determined via inversion as in figuring out what won't work or what should be avoided. The world doesn't require that a person be right all of the time in order to be successful. Small concentrated attempts in the right areas will almost certainly allow for success without much risk. Buffett's genius is largely a genius of character including focus, independent-thinking, and patience. The best deals are hiding in plain sight. It's not going to be worth it if you have to claw for scraps with a team of attorneys, accountants, and extended negotiations. The math should be easy enough to multiply by whole numbers and not have any uncertainty as to the dynamics of how those numbers fit the full picture.