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Bullish about Buffett

Biographer heaps praise, sometimes rightly so, on the ethical, charitable businessman

By Glenn C. Altschuler

Special to The Baltimore Sun

November 23, 2008

The Snowball: Warren Buffett and the Business of Life

By Alice Schroeder

Bantam Books / 960 pages / \$35

When he was 21 and "people weren't listening," Warren Buffett says, half in jest, he gave his best financial advice. Now he can say "the dumbest things in the world," and investors will bet the farm that he's right.

The world's richest man, Buffett has become an American legend. He has lived in the same relatively modest house for 50 years. He has made millions for shareholders of Berkshire Hathaway. And, two years ago, he announced he was turning over his fortune to the Bill & Melinda Gates Foundation.

The Snowball is an authorized biography of the Sage of Omaha. With unprecedented access to Buffett, his family and his friends, Alice Schroeder, a former managing director at Morgan Stanley, has produced an engaging and engrossing profile of an extraordinarily complex man.

The Snowball is, at times, excessively detailed and repetitive. It's fun to know that Buffett's diet consists almost exclusively of burgers, fries, Coke and chocolate. But Schroeder might have spared us the details of the repasts he refused, picked at or pushed aside. The biography, moreover, contains some errors. Herbert Hoover was never vice president of the United States, and Walter Annenberg did not "dream up" Seventeen magazine or TV Guide.

Although, apparently, Buffett asked Schroeder to "use the less flattering version" of his life, her book is laudatory, even adulatory. In his family life, Schroeder writes, Buffett was often insensitive and self-absorbed. After gossip columnists reported that Katharine Graham, former publisher of The Washington Post, had tossed her house keys to the billionaire at a charity event, his wife, Susan Thompson Buffett, moved to San Francisco. For more than 25 years, Buffett lived in Omaha, Neb., with Astrid Menks, all the while maintaining that Thompson Buffett remained the love of his life.

He meant it, Schroeder insists, rather melodramatically, and proved his devotion when Thompson Buffett became fatally ill. When she died, "his chest burned and his heart exploded." Schroeder believes he learned his lesson: "The more you give love away, the more you get." But, she implies, he felt bereft, too, because the person he needed so much, and whom he had betrayed, had left him.

Schroeder is in awe of Buffett the businessman. He made mistakes, of course, pumping money into Berkshire Hathaway, a moribund textile mill, for 20 years, and failing to buy Wal-Mart. But his brilliant investments - in GEICO, American Express, See's Candies, the Nebraska Furniture Mart and Coca-Cola - enabled him, decade after decade, to stay light years ahead of just about every other stock picker.

Equally important, according to Schroeder, Buffett managed to combine his outsized ambition to accumulate with high ethical standards. "He could have become a buyout king," coldly calculating financial return without considering the impact on the employees of companies he acquired, she writes. But he didn't.

Buffett's success, Schroeder suggests, represents "the triumph of straight thinking and high standards over flapdoodle, folly, and flimflam." Time, he learned, "is the friend of the wonderful business, and the enemy of the mediocre." It's better to buy a terrific company at a fair price than a fair company at a terrific price. Buffett's method never varied: "Estimate an investment's intrinsic value, handicap its risk, buy using margin of safety, concentrate, stay in the circle of competence, let it roll as compounding did the work."

Executing these simple ideas, of course, is more difficult than understanding them. It's an art. Collecting information and manipulating numbers is essential. Buffett believes, however, that "focus" matters the most. In "living that word," he aspires to - and sometimes reaches - intensity, independence, discipline, passionate perfectionism and single-minded obsession.

Schroeder is probably mistaken in claiming that "pure love" turned Buffett into a "learning machine." But it's inspiring, isn't it, to watch him consult his "Inner Scorecard" - and give millions of people dealt a losing hand in life a chance to survive and thrive.

Glenn C. Altschuler is the Thomas and Dorothy Litwin Professor of American studies at Cornell University.

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