

Munger called it thumb-sucking. Tesco cost Berkshire \$444 million

Published by OneRightAI · 5 min read

Maxim: *Admit mistakes quickly.* — Charlie Munger, in substance

Every investor makes mistakes. The expensive part is usually not the error itself, but the months spent hoping it was not one.

A mistake you admit today costs what it costs; a mistake you defend can keep costing you for years.

Berkshire Hathaway first bought shares of Tesco, Britain's largest grocer, in 2006. By 2012 it owned more than 5% of the company and was its third-largest shareholder, [The Grocer](#) reported. It looked like a classic Buffett holding: a dominant retailer with loyal customers and steady cash.

Then the doubts began. In 2013 Warren Buffett "soured somewhat" on Tesco's management and sold 114 million shares. But he kept the rest, and sold slowly. In his [2014 letter](#) he was blunt about what happened next: "I made a big mistake with this investment by dawdling." His "leisurely pace" in selling, he wrote, "would prove expensive". Tesco's problems deepened through 2014, and the share price fell sharply. Berkshire's after-tax loss came to \$444 million.

Buffett also gave the habit a name, borrowed from his partner. Charlie Munger, he wrote, calls this kind of behaviour "thumb-sucking": sitting still when the evidence says move. And he added a line every investor should keep: "You see a cockroach in your kitchen; as the days go by, you meet his relatives."

The striking part is not that Buffett erred. It is that the error was visible to him a year earlier, and he still let it run. Some of the loss came from the first decision; much of it came from the delay.

Why we hold on

If the world's most disciplined investor can drift like this, ordinary investors have little chance without a deliberate habit. The research is clear about the bias. In a study of 10,000 discount brokerage accounts published in 1998, [Terrance Odean](#) found that investors showed "a strong preference for realizing winners rather than losers", and that this habit was not explained by rebalancing, trading costs or later performance. In taxable accounts it actively lowered returns.

The reasons are human. Selling a loser turns a paper loss into a real one, and turns a private hope into a public admission. Holding feels like keeping the option to be proved right. Every new piece of bad news can be explained away as temporary. Munger's own diagnosis, offered at the Daily Journal's annual meeting in 2023 and [reported by Value Research](#), was characteristically sharp: "If the truth is unpleasant enough, people's minds play tricks on them."

Munger's own test

Munger applied the rule to himself in public. At the same meeting he called the Daily Journal's investment in Alibaba "one of the worst mistakes I ever made", as [Benzinga](#) later recalled. He said he had been "charmed" by the idea of Alibaba's dominance of Chinese internet commerce, and had

come to see it as a retailer facing stiff competition. He was 99. Over the following year the company cut its holding to less than a third of what it had been.

The story has an honest coda. Alibaba's shares rose strongly after Munger's death in November 2023, Benzinga noted in 2025. And when Buffett sold Berkshire's entire stake in four US airlines in 2020, telling shareholders that "the world has changed for the airlines" ([CNBC](#)), airline shares "soared in the weeks since Buffett's sale", [CNBC reported](#) a month later.

That does not make the rule wrong. Admitting a mistake quickly is not a promise that every sale will look clever later. It is a decision to act on your best current reading of the business rather than on the price you paid. Sometimes the price recovers anyway. Over many decisions, the investor who reassesses honestly will usually do better than the one who waits to be proved right.

How to make it a habit

The practical version of Munger's rule is to separate two questions that the mind likes to merge. The first is: what did I pay? The market does not care, and neither should your decision. The second is: knowing what I know today, would I buy this at today's price? If the answer is no, the reason to hold has to be something other than hope.

It also helps to write down, at the time of buying, why you own something and what would prove you wrong. A falling price alone is not that evidence. A broken thesis is: profits that keep missing, debt that keeps rising, management that keeps explaining. When the second and third cockroach appear, act on the first.

If you do one thing: For each holding, write one line on why you own it and one line on what would prove you wrong. Then ask, once a quarter, whether you would buy it today at today's price. If the honest answer is no, and the reason is a broken business rather than a falling price, sell without waiting to get back to what you paid.

Buffett wrote about Tesco in his annual letter because he wanted shareholders to learn from it, not because the loss was large for Berkshire. That is the deeper point of Munger's rule. A mistake admitted is a lesson; a mistake defended is a habit. Markets will give every investor plenty of both. The difference between them is often just a few months of honesty.

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