



Warren Buffett appeared live on CNBC with [Becky Quick](#) on Wednesday, June 24, 2009.

Buffett told us the [economy is in a "shambles" with no signs of a recovery](#) anytime soon. He also [criticized Apple](#) for not disclosing earlier that CEO Steve Jobs had received a liver transplant.

This is a complete transcript of their conversation:

BECKY QUICK: We are here at [Smith & Wollensky](#) where Warren Buffett is paying off last year's winner for this auction. This is, right now [there's another auction underway](#). And this is the tenth year in a row he's been doing this. Warren, we want to thank you very much for joining us.

WARREN BUFFETT: It's a pleasure.

BECKY: You've been doing this for 10 years, raising money for the [Glide Foundation](#). Why the Glide Foundation?

BUFFETT: I think it's probably as remarkable a social organization as there is in the country, and it's run by [Cecil Williams](#), who, for 45 years, has taken people that have hit bottom and said, 'You're still a worthwhile individual and we're going to do what we can for you in terms of housing, medicine, vocational training and you're going to become the kind of person that you can become.' He believes in people and he carries it out every day and I've never found a more effective place at lifting people from bottom.

BECKY: This year's winner, last year's winner showing up today, Zhao Danyang, who is someone who [paid 2.1 million dollars](#). That's a remarkable amount of money that's out there. Last year, obviously, the markets were in a very different place than they are this year. The [auction is underway](#). I know the bidding goes through Sunday. (Note: Bidding actually ends this coming Friday at 10p ET). Do you think someone can bid as much as you saw last year?

BUFFETT: (Laughs.) Well it surprised me last year. They have qualified a number of bidders that are good for very big figures. They make sure of that beforehand. So we'll see what happens. (Laughs.) Two-point-one million is a pretty good number to shoot for. I hope I don't have to leave a 10 percent tip at the end of the lunch. (Laughs.)

BECKY: [The last time we sat down to talk to you was on May 4](#), and at that point you told us that you think we're in an economic war right now. How much progress do you think we've made in that war?

BUFFETT: Well, it's been pretty flat. I get figures on 70-odd businesses, a lot of them daily. Everything that I see about the economy is that we've had no bounce. The financial system was really where the crisis was last September and October, and that's been surmounted and that's enormously important. But in terms of the economy

coming back, it takes a while. There were a lot of excesses to be wrung out and that process is still underway and it looks to me like it will be underway for quite a while. In the [\(Berkshire Hathaway\) annual report](#), I said the economy would be in a shambles this year and probably well beyond. I'm afraid that's true.

BECKY: We hear people on our air all the time who talk about the 'green shoots' that they're seeing. Are you seeing any of those green shoots?

BUFFETT: (Laughs.) I looked. I wasn't seeing anything. I had a cataract operation on my left eye about a month ago and I thought maybe now I'll be able to see green shoots. We're not seeing them. Whether it's retailing, manufacturing, wherever. We have a big utility operation. Industrial demand is down like we've never seen it for a simple thing like electricity. So it hasn't happened yet. It will happen. I want to emphasize that. But it hasn't happened yet.

BECKY: [Earlier this year you also told us](#) that you think Washington and the Obama administration should be paying attention to jobs, that's the number one, jobs and the economy is the number one, the number two, and the number three job that they should be doing. Has there been progress made at all on that front?



BUFFETT: Well, they're doing thing but they take awhile to have an effect. They're doing things on a lot of fronts. But you can't produce a baby in one month by getting nine women pregnant, you know. (Laughs.) It just doesn't work that way. So you can be throwing things at the economy and they will have an impact, but they haven't had much impact yet. And unemployment will go high and it will lag the turn up of the economy.

BECKY: But has Washington done enough that you think they can turn their sights to other problems that exist?

BUFFETT: Well, they've turned their sights to other problems, but this problem is not yet solved. And it's the most important problem we have.

BECKY: It continues to be? You don't think any of the urgency has come away?

BUFFETT: No, I don't think the urgency has come away. The urgency has moved away from a total meltdown of the financial sector which we faced last fall. I've never seen anything like that. But I would give enormous credit to the people there. (Federal Reserve Chairman) Bernanke did a fabulous job. We were right at the point where people lost faith in money-market funds, when commercial paper stopped being issued. People would be having a problem meeting their payroll, very big companies, if that hadn't gotten addressed very quickly. And I give credit to people for doing that. So that part, we've moved past that particular period. We haven't got the economy going again.

BECKY: You mentioned that you think Ben Bernanke did a good job. Today is an FOMC meeting day. We're going to be [hearing more about that](#) at 2:15 today. Do you think Ben Bernanke should be reappointed to a second term?

BUFFETT: I don't see how you could do better. Yeah. He has taken decisive action at a time when really decisive action was needed, and extraordinary action, things that we hadn't done before. If he hadn't of done -- I give the Bush administration credit on this. (Former Treasury Secretary) Hank Paulson. They don't do everything perfectly. Nobody does. And we were getting balls thrown at your head by the hour. You're going to make some mistakes. But they got us through a period that, if we had different people in those jobs, I'm not so sure we would have gotten through.

BECKY: Well now you do have different people on those jobs. You have (National Economic Council Director) Larry Summers, who is advising the president. You have (Treasury Secretary) Tim Geithner who's there. You have Ben Bernanke. What do you think of the troika today?

BUFFETT: I think you've got three very, the people you named are very, very good. And I think Bernanke is very much the key. The Fed came through for us.

BECKY: You haven't commented since the Obama administration rolled out these new regulatory overhaul plans that they've been looking at. What do you think overall about it? There's a consumer protection agency that's involved with this. There's a lot of other different arenas. But is this the right, is this a step in the right direction?



BUFFETT: We'll see how the statute reads. But basically we got way overleveraged in the financial arena. And the American public got overleveraged too. We do need something to address that. We do need something to address institutions where the wrong incentives are in place so that their personal incentives are at real variance with what our national incentives should be. We need something to make sure we don't get into the situation again that we were in last September. And leverage is a big key to it. Now that's a huge problem to attack and how it's written and how it's administered is not an easy job.

BECKY: Can you lay that down as a rule? Should it be that you can't be levered more than 10-to-1? You can't be leveraged up more than 20-to-1? How do you figure out?

BUFFETT: And it's very difficult. And you can't lay down a rule like that, unfortunately. Because just through derivatives you can have an enormous amount of leverage that doesn't show and you can have an inter-connectedness that causes one domino to hit the next. It is not a simple problem. You don't just write down leverage of 10 or 20 to one or something of the sort. There's all kinds of different leverage. You can leverage against home mortgages with big down payments and that will be relatively safe. You

can leverage against somebody else who's leveraged and you've got troubles getting compounded. So it's not a simple problem but it is an important problem.

BECKY: Is it one that can be tackled? Is there a solution, a potential solution?

BUFFETT: It's not easy. It's not easy. You need somebody - you need reasonable rules, and you need a very, very good administrator or group of administrators doing it. It's not an easy problem. People like to go to excesses. And the incentives are, in a market system, to overshoot. And it's happened over the years. America's genius has not been in avoiding problems, it's been in surmounting them once they happen. And fortunately, you know, we've come through again on that.

BECKY: So you're not saying it's an impossible task but it doesn't sound like you're very hopeful we can prevent something like this from happening again?

BUFFETT: I think that what [started out with a tulip](#), maybe four-hundred years ago, and continued through the [South Sea Bubble](#) and all of those sorts of things, it's in human nature to go to excess. And it's very hard, in a country of 300-million people and a 14-trillion dollar GDP and all of that, to set up a set of rules that will prevent excesses in a market system. But I think there can be improvements made and I think that's what we're shooting for.

BECKY: When we [sat down with you here last year](#), you said inflation was a very big worry for you. What do you see today? Do you worry about inflation or deflation?

BUFFETT: Well, I don't worry about deflation at all. We won't see deflation in any significant amount in your lifetime, which is more relevant than my lifetime. We've taken action in fighting the economic war that we face that certainly sows the seeds of substantial inflation down the road. Not in the next six months or year or two years, but we have done things that raise the probability of really high rates of inflation at some point. We're flooding the system with dollars. We're monetizing debt. We're doing all the things that lead to that. Now those are appropriate things to do. Our economy was like a fellow going down in quicksand last September and up to his shoulders, and somebody tosses a rope. You can tie it around and yank him out with a truck, you may dislocate a couple of shoulders but it's still pays to get him out. And we may dislocate the economy in certain ways. There's really no choice. But we could see a lot of inflation.

BECKY: You mentioned that the financial system was in tatters just last year. It's turned around quite a bit. In fact, some of the big banks have been paying back TARP money, or have made plans to pay back that TARP money. One of your big investments, though, Wells Fargo, has not. Does that put Wells Fargo at a disadvantage?

BUFFETT: Well, it doesn't put them at a disadvantage with the person on the street that's putting in deposits. And they've got the widest spreads, really, in terms of interest income of anybody. But I'm sure they would like to get out of TARP. There's been unanimity among the people in the TARP plan that they want to get out as fast as possible, so I'm sure they'd like to get out at Wells. But from my standpoint, the earning power of Wells is dramatic with or without the TARP money.

BECKY: So, with or without, it doesn't matter to you as an investor?

BUFFETT: It doesn't really, no, no. I wish they didn't have the warrants outstanding that came with the TARP money because that's a call on the future profits of it, but the government set the terms on it. They just signed a blank piece of paper.

BECKY: Over the last few days, Steve Jobs and Apple's board have gotten a lot of attention because of the disclosure, or lack of disclosure of the liver transplant that he had while he was out. You're someone who has also gotten some criticism about your succession plans. What do you think about how the Apple board went about it and do you think that criticism there has been fair?



BUFFETT: Well, I think it probably has. I think if I have any serious illness, or something coming up of an important nature, an operation or anything like that, I think the thing to do is just tell the American, the Berkshire shareholders about it. I work for 'em. Some people might think I'm

important to the company. Certainly Steve Jobs is important to Apple. So it's a material fact. Whether he is facing serious surgery or not is a material fact. Whether I'm facing serious surgery is a material fact. Whether (General Electric CEO) Jeff Immelt is, I mean, so I think that's important to get out. They're going to find out about it anyway so I don't see a big privacy issue or anything of the sort.

BECKY: Just this past week, the [Class B shares](#) of Berkshire were able to [start trading options on them](#). What happened? Why did you do that and what's it mean?

BUFFETT: They didn't ask me.

BECKY: What does it mean for the stock though?

BUFFETT: Well, it means people can speculate on it instead of invest in it and I'm basically not for it. We have the lowest turnover of any stock in the New York Stock Exchange by far. We've got more real owners. People buy our stock to own a piece of the business. The people that buy puts or calls, or sell puts or calls, are just betting on what it's going to do in the short term. So it's no plus to us. It is no big minus either. I don't think there will be a lot of trading in it.

BECKY: It doesn't bother you?

BUFFETT: No. If I had my choice it wouldn't happen, but it doesn't bother me.

BECKY: You know, [cap and trade](#) is something we talked about when we spoke with you back in May as well. And you raised some of the issues and concerns you have about cap and trade. It does look like it is still on the agenda for right now. So is health care.

Does it concern you to see Washington, Congress and the administration, moving on some of these big initiatives while you're still concerned about the economy?

BUFFETT: Well, I think if they're important issues and they get well thought out solutions. It is important that we move on carbon emissions. It's important we move on health care. But I don't think they should be jammed through in a hurry. But those are issues that should be addressed by America. But I do think the economy is number one.

BECKY: You said you didn't like cap and trade especially in this economy though, because it puts a tax on people.

BUFFETT: I think if you get into the way it was written, it's a huge tax and there's no sense calling it anything else. I mean, it is a tax. And it's a fairly regressive tax. If we buy permits, essentially, at our utilities, that goes right into the bills of the utility customers and an awful lot of people in Iowa, in Oregon, and Utah, and places where we are, very poor people are going to pay a lot more money for electricity. So I think that can be improved.

BECKY: And finally, the last question. You've written about the economy and where you see the stock market in the past. You wrote an [op-ed for the New York Times](#). How are your thoughts on where the stock market stands right now compared to where you saw it then?

BUFFETT: Well, I think it's attractive over the next ten years compared to alternatives. If your alternative is buying some fixed-dollar investment, I think inflation will eat away at that. I think it's almost certain over a ten-year period that equities will do better than fixed-dollar investments. So, if people are keeping their money in cash and getting virtually nothing for it they may feel comfortable, but it will be very expensive for them over time.