



Sunday evening, January 18, 2008, Dateline NBC aired portions of an interview with Warren Buffett by Tom Brokaw. The conversation was taped while Buffett was in Washington.

Buffett tells Brokaw that Barack Obama is the right "commander in chief for the economy" but warns that no one should expect a "miracle" turnaround in the

next few months.

Buffett and Brokaw also covered many other topics, including Obama's leadership style, excessive executive compensation, the challenges facing Detroit's automakers, China, and the role of greed in good times and bad.

This is the complete transcript of that interview, as provided by NBC News and edited by CNBC.com.

TOM BROKAW, NBC NEWS:

Last fall, Warren, a pollster told me that the election was between hope and fear. When it comes to the economy, who's winning, hope or fear?

WARREN BUFFETT:

Well, right now fear is. I mean, you're seeing it everywhere. You saw it at-- in the sales of almost every item at-- at Christmas. There's a lot of fear throughout the country. Even-- even with people whose jobs are fine, and who have money in the bank. But they-- they're worried.

BROKAW:

I've been describing this as the domestic equivalent of war. Is that an overstatement?

BUFFETT:

Well, actually, in September I said-- this is an economic Pearl Harbor. I-- that was the time Congress had made it in. It really is an economic Pearl Harbor. It-- the-- the country is facing something it hasn't faced since World War II.

And they're fearful about it. And they don't know quite what to do about it. And the point is-- and-- and it-- and temporarily it looks like we're losing. It has that-- that same aspect. Interestingly enough, we were losing for a while after Pearl Harbor. But the American people never doubted that we'd win. I mean, we had that attitude then. I think, right now, that they're sort of paralyzed.

BROKAW:

Is Barack Obama the right commander in chief for the economy?

BUFFETT:

He's the absolute right commander in chief. That-- you know, that's another thing the American people seem to do, occasionally, is that we elect people that are right for the times. You know, whether it was Lincoln, Roosevelt. And-- and I would say Obama-- you-- you couldn't have-- anybody better in charge.

BROKAW:

But why is he right for the times?

BUFFETT:

Well, he's-- he-- he's smart, he's got the right values, but he also-- he understands economics very well. He's cool. He's-- he's-- he's analytical. But then, when he gets it all thought through, and he's fast-- he can convey to American-- the American people what needs to be done. Not to expect miracles. That it's gonna take time. But that we're gonna get to the other end. And-- and I-- I-- I don't think there's anybody better for the job than-- than-- the president-elect.



BROKAW:

He often cites you as an advisor. And I know that you've been in touch with his economic team. But what often happens to somebody who gets elected to that office, particularly, they're more to you to tell you what they know than they are to listen. Does he listen?

BUFFETT:

He's a listener. I-- I first met him, maybe, four years ago, or something like that. He was a listener then, he's a listener now. But, on the other hand, he makes up his own mind. He will-- he will not be-- his team won't run him. He'll use his team, he'll use them very effectively. He'll synthesize, he'll-- he'll-- he'll analyze. But, in the end, it'll be his decision.

BROKAW:

Apart from his election, in your judgment, is there any other good news in the economy?

BUFFETT:

There's not much good new right now-- no. The-- we are-- we are in the middle of the economic Pearl Harbor right now. I mean, our ships have been sunk. Now-- (LAUGHTER) now we have to get mobilized-- to win the war, which we will.

BROKAW:

Your friend, and my boss, Jeff Immelt -- who is the CEO of General Electric, had a phrase that I thought, in many ways, not just because he's my boss, but I thought he summed it up pretty well when he said, "This is not a cycle, it's a reset."

BUFFETT:

Well, there's-- there-- there's some real truth to that. And-- we have lived in one way in one type of economy. And-- and-- we're now deleveraging that economy. We're-- we're gonna have to live without the same impetus from credit expansion that-- really helped propel the economic engine for a long period of time. The-- the-- that-- that wind will not be at our back. But there's all kinds of things that will be in our back. But that-- he's right about resetting with-- without credit expansion being the propellant for the economy.

BROKAW:

And the stimulus program, that-- the new president wants to have, and that Congress is cobbling together, in your judgment is it sound? Are there some things they're-- they should be doing they're not doing?



BUFFETT:

Well, they're doing-- they-- they-- they're gonna turn the fire hose on this-- on this fire. I mean, the-- the-- and-- and-- it's-- it's-- it's a blunt instrument, to some extent. At-- at-- but it's very, very big. We're-- we're-- we're gonna-- we're gonna have a medicine coming in a dosage we've never seen before. And-- it-- but it won't-- it won't-- it won't have immediate impact. It should-- it takes time for it to-- to hit the economy in real force. So people should not expect miracles in February or March or April. That isn't gonna happen.

BROKAW:

I'm very interested in that. And the conditioning of the American consumer. We've been through some downturns here in the last 40 years. But we've always made a snappy recovery. The first two years of the Reagan administration, that was a very sharp recession. At the end of George Bush 41's administration, very sharp recession. But then we made a big comeback with the information technology. I-- I wonder if the American people don't, in the back of their minds, say, "Well, we'll come out of this one pretty quickly."

BUFFETT:

Well, if they do, I-- I hope they don't get-- (LAUGHTER) feel that way too strongly. And, incidentally, in the-- in the way it was technically-- described, you could describe the 80s as being a fairly quick recession. But if you think of the period from the oil shock all the way through 'til (Federal Reserve Chairman Paul) Volcker got done, that whole period was one of stagflation and general-- the stock market did nothing. People didn't trust-- money, you know, cash is trash, and they were running from it 'cause they thought--

(OVERTALK)

BROKAW:

Twenty percent interest rates--

(OVERTALK)

BUFFETT:

Sure. And all of that. So-- so I would say that you really had-- a ten year period there where the American economy did not make much progress. I'm not predicting that this time. But I-- that-- that was-- that was a period that most people didn't feel great about the economy. They didn't feel as depressed as they feel right now though.

BROKAW:

We know, or we have a pretty good idea, what the stimulus program will mean to the economy in terms of raw dollars and so on. The economists can't seem to come to a judgment about how long it will take for it to have an effect. Some are saying a year, others are saying it may be up to five years. Do you have a position on that?

BUFFETT:

Well, I-- I don't think it'll be five years Tom. But I-- I don't have the answer to that. I-- I-- I don't know what the stock market will do in the next year. What I do know is that, if you go back to the 20th century, 100 years, you had two great wars, you had other very large wars, you had the Great Depression, you had the flu epidemic, you had a dozen recessions and panics, you had all kinds of things.

At the end of that century the Amer-- the average American was living seven times as well as - the start of the century. The DOW Jones average went from 66 to 11,497. With all those problems. This is a country that has the ingredients that-- that-- well, it unleashes the potential of humans. And-- and they're still here. I mean-- so five years-- you can put me down on that one. You can't put me down on one year. (LAUGHTER)

BROKAW:

And how important is the new president to all of that in terms of instilling confidence, and talking bluntly to the American people saying, "There is gonna be some pain here. And you may have to make some sacrifices."

BUFFETT:

That's exactly what he's gonna say, 'cause it's the truth. And-- and he's-- he's smart enough to know it's the truth, and he-- and he's the kind of person who's going to tell you the truth. So-- I think he's the ideal president for it. But that's not because I think he can wave a magic wand.

It's because I think he can, in a sense, figure, once again, how to get these basic strengths of the American economy in gear again. I mean, we-- we have a wonderful economy that's gummed up at present. And it's gotten gummed in the past many times.

And it is important who's president. It's important that the American people believe in him. It's important that we take the right policy actions. But there are no miracles in a month or two months or three months. And he's going to tell the American people that.

BROKAW:

Has he--

BUFFETT:

He always has.

BROKAW:

You're very good with words. Has he asked you if-- at all for any advice on his inaugural address? (LAUGHTER)

BUFFETT:

No-- no. No. I have not been sitting around writing four score and-- (LAUGHTER) any of that sort. No, he doesn't need-- he doesn't need any help--

(OVERTALK)

BROKAW:

We have nothing to fear but fear itself.

BUFFETT:

That's right. Nothing to fear but fear itself, right.

BROKAW:

But does it have to be in that tone? Like FDR, "We have nothing to fear?" Or John Kennedy saying, "Ask not what your country can do for you, but what-- you can do for your country?" Are we ready for that again?



BUFFETT:

Well, I don't-- I don't have any specific knowledge. But my guess is it will be inspirational. It'll-- it'll be-- it-- it-- it-- it will be asking something of the American people. I mean, he-- he has every right to expect something of the American people.

I-- I think the American people want something to be asked of-- of them. So I think it will have-- it will-- it-- it'll-- it'll have that same tone, I'm sure, as-- as-- as Kennedy, in that respect. And I think it'll have some tones of-- of Roosevelt in saying that-- you know, we still have 305

or ten million people, whatever it is, who have all the abilities.

We still have a rule of law and a market system and-- and we believe, you know, in-- in-- in-- in everybody reaching their potent-- all of these things are going for us. And I think he will convey that a lot better than I just have. (LAUGHTER)

BROKAW:

But, at the same time Warren, we have-- new systems in play too. And the ripple effect seems to happen a lot faster now, and goes a lot deeper. Part of the reason we got in trouble this time is the system is so complex, and no one seems to know what's going on just below the surface.

BUFFETT:

Yeah, we-- we have a negative feedback cycle going on now. We have fear, which leads to people not wanting to spend. And-- and not wanting to make investments. And then that leads to more fear. And-- we're in a negative feedback cycle. We were in a positive feedback cycle three or four years ago, when everybody lent you more and more (LAUGHTER) on a house that kept going up, and you could keep spending money you didn't have and so on. We'll break out of it. But-- it takes time, and nobody can predict exactly when it'll happen. But it will happen faster, I will guarantee you. Because we have the right president-- in office-- than would be the case otherwise.

BROKAW:

Do you think that the American taxpayer, or the American consumer, will have learned anything about proportion as a result of this experience? Because we have been on a binge.

BUFFETT:

Yeah, we've been on a binge.

BROKAW:

And I count myself on that by the way.

BUFFETT:

Yeah, well-- well, you look like a guy that's been on a binge, actually. (LAUGHTER) No, I think-- the-- most people won't. But some institutions will. And-- and some will learn it whether they want to or not. But-- but the-- most people have a propensity to spend what they-- what they make and maybe a little more.

And-- and the trouble is they-- they've had a friendly bartender, you know, in-- in terms of this binge. And I think-- I think the bartender is going to, been sobered up materially. And some of the rules about how many drinks he can serve and all of that-- (LAUGHTER) will be tightened up somewhat.

So I-- I-- I do not think we will see a repeat of the factors that led to this soon. We will see bubbles though again in the future. Human nature, you know, greed and fear will keep-- continue to exist. And-- and-- and we will have other bubbles, and they won't be exactly like this one. But they won't-- you won't see this particular type repeated for quite a while.

BROKAW:

And-- and that building behind us, the U.S. Capitol, Democrats controlling both chambers now, there's gonna be a big cry for more regulations on Wall Street. For the financial institutions to be more closely supervised. Is that a good idea?

BUFFETT:

Well, it's--it's-- it's probably a good idea. But I-- I wouldn't look at that as a panacea. What-- what-- what you have to do, to some extent, is you have to create the right incentives also for that are running those institutions.

And, you know, I'm not sure whether I would shoot the-- CEO of any bank that went broke or anything. But I would-- (LAUGHTER) I would make it much tougher than it's been in the past-- to-- to run an institution into the ground. I think-- I-- I think-- I think there are plenty of things to be done in the boardroom as well as in the rooms of-- the Senate or the House.

BROKAW:

Well, you've also been very tough on executive compensation. Speaking out on it. Has that era come to an end? Where these huge, huge paydays come whether or not you've been successful.

BUFFETT:

Yeah, that's-- I-- I hope they have, Tom. And they certainly should. That-- and I think-- I-- I think there will be a lot of curbing of that. But I-- I-- I wouldn't underestimate the desire of people who get paid more than they're worth. I mean, (LAUGHTER) and particularly at the top.

And-- you know, so-- one of my friends says, "Failure goes to their head." You know, they start-- (LAUGHTER) they start thinking that they're entitled to-- eight or nine figures. You know-- with an institution that's failed. That's really up to American shareholders and to boards.

There may be some regulations that help on that. But-- but that-- it's been an old boy's club to quite a degree in boardrooms. And-- and-- and-- the-- you know, that should have ceased a long time ago. I think the-- the events-- the recent events will help it get curbed. But-- but the urge for people to rig the-- the compensation arrangements-- will not go away.

BROKAW:

Well, someone also said to me that no one had any skin in the game. That old golfing phrase. Where they didn't have a stake in it because these new instruments are passed along, they're complex. There were a lot of guys on Wall Street when I would say to them, "What's a credit default swap?" They couldn't explain it to me, for example.

BUFFETT:

Yeah, well, we may have been better off 'cause they couldn't. That's-- that's-- that enabled them to sell them easier. But they-- you're right. I mean it-- there should be a real downside if you want a big upside. And-- and that has not been the case.

The stock option is all-- you know, it's a one way ticket. I would-- you know, I-- I sort of believe in-- in people that are running businesses having most of their net worth in those businesses. And-- and-- and-- and not just-- not-- not on paper. I mean, with real ownership, having paid for it themselves. And-- but that looked a little old fashioned here a while back. But it may-- it may stage a comeback.

BROKAW:

Did the president-elect talk to you about tax policy? You've been outspoken as well about-- for example, payroll taxes. It's unfair that your secretary pays more of her income, proportionally, than you do.

BUFFETT:

That's true. That's right.

BROKAW:

And there's that whole question about capital gains staying stuck at 15 percent. Did he ask your advice on that?

BUFFETT:

Well, we've talked about that some years back. I mean, not-- not-- not-- not recently. But-- actually, in his-- in his book, *The Audacity of Hope* we-- he-- he mentions it, conversation or two we had about taxes. But I think that, you know, what we learned in the last 20 year-- we learned that a rising tide lifts all yachts.

But-- but the-- the fellows in the rowboat-- boats have been left behind. And-- while the aggregate wealth of the four-- four-- 400 went from 220 billion to a trillion 540 billion. Seven for one. The wage of the average American went no place.

And-- and tax policy has just consistently favored, more and more-- the rich. I mean-- basically you've got, you know, capital gains rates at 15 percent. And-- and-- and I don't pay any-- payroll taxes on that at all. So it's-- it's gotten tilted way to the rich, and everybody said this is wonderful because we need to encourage investment. Well, we've had the lowest tax rates for investment relative to earned pen-- income the last eight years and look at what it's produced.

BROKAW:

When Joe Biden said, during the course of the campaign, it's patriotic for the wealthy to pay more in taxes, those who are more conservative jumped all over him. Do you think it's patriotic for the wealthy to pay more taxes?

BUFFETT:

Well, I-- I-- (LAUGHTER) I-- yeah, but I wouldn't want to rely on patriotism. I'd rather rely on the tax code. (LAUGHTER)

BROKAW:

But is-- is it gonna have to come to that?

BUFFETT:

Well, we-- we're gonna-- we're gonna spend a lot more money now. But here just-- the last-- in the last year-- you know, we spent about 2.9 or-- trillion dollars. We raised about 2.6 trillion. And-- you know, we are raising more and more of that from the people that-- that are-- you know-- are-- are the-- are the working people in the world, (LAUGHTER) and less-- less from people like me.

And we've gotta the money from someplace. I mean, we-- we-- we-- and-- and it's just-- Congress makes that decision as to-- as to whom shall contribute to these things that contribute to our common good. And-- and, in the last decade, the proportion that, counting payroll taxes, and you gotta count them, because they're over 30 percent of the receipts of the federal government, but counting payroll taxes-- the proportion has gone down on guys like me and it's gone up on people like my secretary.

BROKAW:

And do you think that that can get changed in this administration?

BUFFETT:

I-- I think it will get changed, yeah.

BROKAW:

Do you think that Congress and Secretary Paulson, between them, have been tough enough on the financial institutions that have their hands out all over Washington trying to get money out of this bailout program? Bank of America, CitiBank, AIG, these huge financial institutions that helped get us in trouble in the first place now are being underwritten by the ordinary taxpayer who's out there worrying about losing his job the next day?

BUFFETT:

Well, I-- I-- I think what's been done has been necessary. I mean I-- I-- if your financial system becomes totally dysfunctional everything else becomes dysfunctional in the country. Now the-- you may hate to help them out, because you-- you may-- you know, they-- they may have gotten us in trouble in many ways.

And the people at the top may have made out like bandits in-- in terms of it. But I wouldn't let that stop me from doing what's right to make next year better. I-- the-- we-- you know, I-- the searching for villains is less important to me now than figuring out a solution that gets us out of this promptly. And-- and-- and-- but I-- I do think that boards that vote big golden parachutes and all that sort of thing. I mean, I think they ought to reexamine their activities.

BROKAW:

Your friend-- Arnold Schwarzenegger, is the governor of California. That state, in many ways, is ground zero for all of this. I mean, they've got a housing crisis that it'll take years for them to get out of. And their budget deficits are running into the, now--

BUFFETT:

Huge.

BROKAW:

--40 billion dollars maybe. Is he asking for your advice?

BUFFETT:

No-- (LAUGHTER) no, I'm not sure what I'd tell him. But what you will see down-- for one thing, the pension plans of states and-- and cities-- has been decimated-- have been decimated in the-- in the last year. And the costs from that, the lack of revenue they're going to face as the-- economy slows, means that you are going to see a parade of mayors and governors to Washington like you've never seen it.



And they're gonna say, "If you can help out General Motors, and you can help out Citicorp, you can certainly help out, you know, this state or that state." So I-- I think you're going to be-- I think it's gonna make inauguration day look like nothing in terms of the public officials that come in here and say, "We-- we need help." Their revenues are gonna be down. Their expenses, particularly including pension expenses, are going to be up. And you're going to have unbalanced budgets just all over the country with states and cities.

BROKAW:

But how much money can we print? I mean, the people are already saying, in the latest NBC News Wall Street Journal poll they're as concerned about the deficit as they are about almost anything else going on in their lives.

BUFFETT:

Yeah, well, they should-- they should be concerned about the deficit. But they should be more concerned about getting the economy working right. I-- I don't-- I mean, the-- there are consequences to printing money. And-- and they're not pleasant.

I-- I-- so there is no free lunch. And if we do the things we need to do now there's a cost to them. But we are in a war. This is an economic Pearl Harbor. And-- and, you know, we paid for the war later on, as (LAUGHTER) ... But-- but we-- we still-- knew we had to win the war first.

And-- and this is a war that needs to be won. And-- and the sooner the better. Because every-- every time you read about 523,000, or whatever, those people losing their jobs in December, that's-- those are 523,000 human tragedies. I mean, it-- it-- I can think of nothing worse than going home and saying, you know, to a family that, "I've lost my job and we've got mortgage payments and food to buy."

And so we need to solve that one. And-- and we will have consequences to the kind of deficits we're running up. And-- and-- and some of them will be unpleasant. But I would rather face those consequences than to face the consequences of doing nothing.

BROKAW:

Do you think there's a possibility that-- unemployment will go to double digits before the end of the calendar year, 2009?

BUFFETT:

Well, I'm not good at predicting. But it-- it-- certainly it-- it's a possibility. It's a possibility. And if we'd done the wrong things I think it would have been a certainty.

BROKAW:

And what happens to all those people?

BUFFETT:

I think it's very tough. And I think, in terms of unemployment benefits, I mean, I think that-- I think people like me should be paying higher taxes. And, you know, and you'll-- you'll hear from people who say, "Well, why don't you pay it voluntarily?"

But a voluntarily tax system is not (LAUGHTER) a very good system. I mean, it-- we-- we-- we need the rich of the country contributing more, you know, while the, frankly, a lot of the people, I mean, millions and millions and millions of families are suffering.

BROKAW:

You live in the same house that you've lived in in Omaha for how long now?

BUFFETT:

Fifty-- fifty-- a little over 50 years, yeah.

BROKAW:

Were you ever tempted, in the last five years, to build one of those bigger houses?
(LAUGHTER)

BUFFETT:

No. No. I-- I'm happy where I am. I-- you know, some-- (LAUGHTER) somebody said, one time, that success is getting what you want, and happiness is wanting what you get. You know, and I got that house 50 years ago and I love it. (LAUGHTER)

BROKAW:

And the last time I was in Omaha you were driving a Cadillac.

BUFFETT:

I'm driving a Cadillac still.

BROKAW:

General Motors product.

BUFFETT:

Right. Right.

BROKAW:

Are you-- are you storing away extra spare parts? (LAUGHTER)



BUFFETT:

No. No. I-- I-- I'm all for the-- I'm all for them. I mean, you know, Rick Wagner got handed a very, very, very tough hand. And then this economy has just decimated the-- but they've gotta come up with a business plan that works.

BROKAW:

And do you think they're on that track?

BUFFETT:

They're-- they may be starting on that track. But I would be very tough, if I were Congress however, handing money to-- to-- the big three-- to make sure they had a business plan that worked. And I-- I've said before, I would-- I would have the CEOs of those companies, and the head of the union, and anybody else that's-- a big party to this-- take the same downside risk as the American taxpayer.

For-- three quarters of their net worth. So if the American taxpayer ended up losing 20 percent of what they put up, these guys would lose along with them. Now I'd have a big bonus on the upside. But I think they ought to have-- they ought to have something meaningfully personally in the game when they come to Congress and the president with a business plan and say, "This will work." Okay. Let them back it up.

BROKAW:

Should there be an automobile czar who reports to the president to make sure that they're hitting the markers that are expected of them?

BUFFETT:

Well, there ought to be some system for making sure they hit the markers. But the best-- best way to have them hit the markers, Tom, is to have them so that if they don't hit those markers, if-- if it doesn't work, what they tell Congress, "We'll work." If it doesn't work they lose three quarters of their net worth or something like that.

BROKAW:

And what happens at the other end of the pipeline or the car dealers across the country?



BUFFETT:

Well, that-- that's why you want to have something that's gonna work in terms of the whole-- the whole system. And-- and-- part-- part of anything that's gonna work for the victory has to work for their dealers, or most of their dealers, eventually. And-- and-- and-- you want a realistic thing. Otherwise they'll just come up with a bunch of spreadsheets and-- and keep asking for more money.

BROKAW:

Let me ask you about some of the arguments that have been made, not just here, but around the country, in the last year or so. In Washington, Democrats will say, "What we're going through is all the fault of the Bush administration." Bush administration will say, "This all began with the Democrats. They're the ones who wanted to have cheap money and easy entrance into the housing market." Who's right?

BUFFETT:

I wouldn't worry about it. I-- I-- you know, if-- if-- if-- if this were December 7th, 1941, I wouldn't spend a whole lot of time, you know, wondering about who-- who got those ships in the harbor, you know, so that they were vulnerable or anything like that. I'd figure out how the hell we win the war.

BROKAW:

The other issue that we hear a lot about these days, or the-- the other subject that we hear a lot about these days is we got in trouble because greed took over America. You know, all-- everybody had to have more. And the greed became a corrupting force. And that famous line from the movie Wall Street--

BUFFETT:

Greed is--

(OVERTALK)

BROKAW:

Gordon Gekko said, "Greed is good because it motivates people." Greed good or bad?

BUFFETT:

Well, I-- greed is gonna be present. At-- at-- at-- if-- I would distinguish between greed and ambition. I-- I-- you know, (LAUGHTER) I mean, you know, Henry Ford may have been-- been ambition, or Thomas Edison, or all kinds of people, you know, that-- that they-- there's nothing wrong with wanting something better for yourself than you have today, or wanting something better for your family than you have today.



I mean, it-- it's been part of the American system. And it-- it's led to this-- these wondrous things that have happened. It-- when you start trying to create phony instruments that fool other people so you stick money in your pocket, or-- or-- or leverage yourself to the sky so that, you-- you know, that-- you're vulnerable to the least little-- interruption of-- of financial activity, or economic activity, you know, it-- it's a mistake. But people are gonna be greedy. You better-- you-- you-- you shouldn't design a system that essentially counts on people not being greedy. It's gonna-- it's gonna exist, but you-- you need to temper it in various ways.

BROKAW:

You're doing a fair amount of business in China. When you talk to your Chinese counterparts, and your friend and your clients over there, the people you're doing business with, do they say to you, "Mr. Buffet, what in the world is going on? You're supposed to teach us about capitalism"?

BUFFETT:

Well-- well, we've taught them a little about capitalism over the years. I-- I mean, China, for a long time, went no place. But, in the last 30 years, they just-- they've done fabulously. And-- and they-- and partly they've adapted parts of our system to do that. But-- you know, in-- in the end I don't tell the Chinese what to do, (LAUGHTER) and I don't expect them to tell us what--

BROKAW:

But they don't want to buy, now, some of our instruments. I mean, they're holding back saying, "We're not sure that we want to invest in American treasuries. And we have relied on them."

BUFFETT:

Well, they-- they have to invest. If-- if you think about it, Tom, if they're selling us a couple hundred billion dollars worth of goods every year more than we're buying from them we have to hand something to-- they're investing every single day.

Warren Buffett Watch

Keeping Track of America's Billionaire Next Door

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They may be going into sovereign wealth funds instead of treasuries, or something of the sort. But the-- they're giving us what you might call vendor financing. I mean, because every day we ship money to the Chinese. And they can-- they can take those dollars and they can buy treasuries, they can buy U.S. equities, they can buy U.S. real estate. But we're force-feeding dollars to the Chinese by our purchases. They have to invest here. So they're not gonna quit investing here.

BROKAW:

A lot of people are gonna be looking in on this, and wondering how has it affected Warren Buffet? Berkshire Hathaway stock is down. Significantly. Has your lifestyle changed at all?



BUFFETT:

No. (LAUGHTER) I-- I've never sold a share in my life. I-- I-- I've been through three earlier periods where Berkshire's stock's gone down 50 percent. I mean, it-- it-- it-- you shouldn't own stocks unless you can handle them going down 50 percent.

If you own a farm nobody tells you when it's gone down 50 percent 'cause you don't get a quote every day. But you really look to the farm and the-- what it's-- its pro-- what it produces to determine whether you made a good investment. Now if people look to the newspaper every day at the price of a stock to determine whether they made a good investment they're making a mistake.

They have to look to the business, the asset itself. If you own an apartment house you wouldn't get a quote on it every day. You'd just look at-- what the rent rolls were, and what your taxes were and expenses were. And if they all came in with-- in line with what you expected when you bought it you'd feel you'd made a satisfactory investment, and you'd never get a quote on it. So I don't-- I don't look at quotes. Mostly-- I can't tell you what Berkshire Hathaway is selling for today.

BROKAW:

You were a child in the Great Depression. You witnessed World War II. It was a very difficult time right after World War II, a lot of people forget about that. You've been through these-- cycles of boom and bust. Where does this one fit in your lifetime?

BUFFETT:

Well, this is-- this certainly is nothing like World War II. I mean, you know, the-- with the country threatened. And-- and it's not like the Great Depression. But it's a severe economic-- you know, this is-- this is number one-- the-- since World War II.

But, in the end, you know, it-- since 1776 it's never paid to bet against America. I mean, you know, (LAUGHTER) I mean we come through these things. There was a song during World War II that-- that said, "We did it before, and we can do it again." Maybe you can remember-- you know, I can remember it. And-- and the truth is we've done it before and we'll do it again. We-- we come through things. But it's not-- it's not always a smooth ride.

BROKAW:

And Barack Obama, as president of the United States, we know he has very strong oratorical skills, and the capacity to inspire people. Does he have to change, however, the way he governs from Washington and move around the country a lot more and become a kind of cheerleader for the economy and for the country's innate sense of optimism?

BUFFETT:

Yeah, he won't be-- he won't be a cheerleader for things beyond what he believes in-- he'll be a fact teller in-- in-- a way that's-- makes good sense to the American public. I mean, he-- he doesn't have to make up anything. Or the-- the rah-rah isn't called for.

What's called for is cool analysis and-- and a plan as to where you're going. And getting realistic expectations about the time it'll take to get there. And I think he's-- he has all those qualities. He is-- he-- he's not a rah-rah guy.

But he is-- he's a believer in-- in-- in the very things that have allowed this country to do what it's done. I mean, it-- we are the miracle of the, you know, of the world. Just think of seven for one improving the standard of living in a century. I mean, you can go back many centuries where it didn't move one percent virtually.

So we have a system that works. But it's gummed up. I think he'll convey that. And it-- the-- he-- he won't over promise. He-- he-- he will have a very clear vision of what he's trying to do. And-- and how long it's gonna take. I think he'll be very good at working with Congress to get it done. I think he'll be very good at explaining to the American people why Congress needs to do things.

BROKAW:

And the hardware dealer in North Platte, Nebraska, or the banker in Savannah, Georgia, or in Amarillo, Texas, the guy who's got a couple businesses in town, maybe an auto parts store and something else, they just hunker down during '09 and hope for better times and-- and--

BUFFETT:

They-- they work through it, just like, you know, 1931 my dad-- lost his job in-- (LAUGHTER) in Omaha, and he had two little kids, and he owed \$55 a month on a mortgage, and no job. And he worked through it. And-- and he came through for the country, and the country came through for him. And that fellow in Savannah, or in North Platte, his kids are gonna live better than he did, and his grandchildren are gonna live better than his kids did. The-- the system works.

BROKAW:

The tricky part for the new president is to give people hope and make their dreams soar. But simultaneously, in this climate, to ask for sacrifices. To make them understand they are gonna have to go through some pain. How does he do that? How do you put those two pieces together?

BUFFETT:

Well, it was done-- you know, it was done after December 7th, 1941. I mean, we-- we knew we were going through-- a period of enormous pain. I mean, the ultimate pain in terms of sending-- sending-- primarily the-- young men off to-- off to war. And-- and we knew that we weren't gonna be able to buy consumer goods. Everybody is going to go to work in defense plants and that sort of thing.

But they couldn't buy cars. Or couldn't buy refrigerators. All of that. So, they accepted that. And they knew it was gonna take a long time. They didn't know how long it was gonna take. They didn't know whether the war was gonna be one year or four years. They-- they did feel the United States was gonna prevail in the end. And so, that same sort of message that is in the same time table, not exactly the same situation ..

BROKAW:

But they were conditioned by the Great Depression, war. And they were used to not having things.

BUFFETT:

Yeah.

BROKAW:

And so, it was one more era of sacrifice for them. We're used to having everything, including credit cards. (LAUGHTER)

BUFFETT:

Yeah. Yeah, yeah.

BROKAW:

Put it down and sometime, we'll pay.

BUFFETT:

That's right. But-- yeah. I would say this, the last six months, I think has been-- has been a-- a big bucket of cold water though I-- in terms of I-- I would say-- I would say the American public's expectations, in some ways, have been reset by events of the last six months to a year. And-- now, they-- they'd be happier for a-- a-- a little less of a-- a credit propelled economy.

So I-- but that can-- Obama can talk to the American public about that. I mean-- they'll want to listen to him. And he's very easy to listen to. And you can learn a lot by listening to him. So I-- I think this is gonna be an educational experience for the country.

BROKAW:

You've been in the room. You've-- you've heard him on the phone on conference calls. You're not the first very high powered person in the financial world-- world that I've heard say, "The guy's really impressive."

BUFFETT:

Yeah.

BROKAW:

But what is it about him that makes him impressive in those meetings?



BUFFETT:

Well, he's smart. He listens. He doesn't-- he doesn't delegate decision making over to anybody. I mean, in the end, he-- he-- he absorbs what people are saying. And in the end, he comes out-- you know-- with better ideas than I come out with when I'm listening to the same thing. And he just-- he has an ability to-- to extract from other people a lot of information, a lot of analysis. And-- and take the best of it. And--

(OVERTALK)

BUFFETT:

He's like a great editor in a sense. I mean you could-- you could argue that he's a great editor-- of people's ideas. And-- and-- and that he's not afraid to act. I mean, he's got a confidence about him which is warranted. It's not an arrogance. It's-- it's-- but it's a confidence. And he-- he-- he believes in himself. He believes in his country. And-- and-- and-- he'll get the job done.

BROKAW:

And one of the things you always worry about with a president is whether they develop hubris.

BUFFETT:

Yeah.

BROKAW:

Whether they--

BUFFETT:

A leader of any kind.

BROKAW:

Right.

BUFFETT:

A leader of any kind.

BROKAW:

Right. And do you think that he'll be tempted in that regard?

BUFFETT:

Well, I-- I-- I think-- I think any leader who has everybody coming around him telling him all the time how wonderful they are, you know, and-- and bowing-- and-- playing "Hail the Chief" when they walk into a room. I-- I mean, it's something to be guarded against. I-- I-- but I'm sure he's more conscious of that than-- you know, than I am.

I-- but it's-- it's-- it's something that, whether you're a general or a pope or-- (LAUGHTER) you know, or a CEO or a president, it's-- you're gonna have-- you're gonna listen to an awful lot of people who tell you how wonderful you are. And there are very few people will say, you



know, you're just-- you put on your pants one leg at a time. So it's-- it's-- it's something to be guarded against. But I'm not worried about that (UNINTEL).

BROKAW:

During the course of the campaign, when he'd talk about his economic policies, a lot of his opponents said, "He's a socialist." I mean, they started shouting it at-- from-- from-- and he would say, "Look, if I were a socialist, would I have Warren Buffet-- (LAUGHTER) as one of my advisors and one of my friends?"

BUFFETT:

Yeah. No, he believes in an America where there's more and more goods and services to go around. But he does believe in having everybody get a better shot at it than-- than has existed in the last 20 years. I mean, it-- in any country-- we're a country that has, you know, 46,000-- \$47,000 of GDP per capita. And we've got 20 percent of the households making \$21,000 a year or less. So they're-- they're-- there is a chance-- you know, I'm-- I'm very lucky.

I mean, I'm-- I'm the right guy in the right place at the right time sort of. But I-- I didn't have anything to do with that. And-- and it's fine that I'm motivated to keep working and make more money and all of that sort of thing. But there should be a system. Because this system delivers these goodies to me, there should be a system to make sure that they're-- that at least-- that there's some reasonable level of-- of prosperity enjoyed by almost everybody in the country.

BROKAW:

At one point during the course of the campaign, I asked the two of them who they wanted as their treasury secretary. Your name came up from both of them. Even John McCain said.

BUFFETT:

Yeah, but Ralph Nader never got on board. (LAUGHTER)

BROKAW:

He-- he wouldn't have, Warren.

BUFFETT:

No. No it's not-- it's not for me. But-- but I'm-- you know--

(OVERTALK)

BROKAW:

But why wouldn't it be? I mean, your father was a Congressman. You-- you were a child here. You have a lot of strong ideas about this--

BUFFETT:

It takes--

BROKAW:

Paul Volcker is your age. He's gonna come back into government.

BUFFETT:

Yeah. Well, I wouldn't have the energy for it, frankly. I-- and-- and-- and-- and-- I'm spoiled. You know, I get to-- I get to do what I like to do every day with people that I like doing it with. And I-- I would not be good at reporting to 535 members of Congress and answering questions from every one of 'em. I-- I'm better at something else.

BROKAW:

A lot of people are concerned that the government is just throwing money down a rat hole with the bailout program, with the 700 billion dollars of troubled assets. And the kinds of money that we're handing out to Detroit and other places. Is there an economic component to all of this that will pay off at some point?



BUFFETT:

Well, that's exactly what we did in 1933. I mean, in 1933, when Roosevelt came in, there was something called the Reconstruction Finance Corp, RFC. Actually, Hoover enacted-- it got enacted under Hoover in '32. But-- Roosevelt appointed Jesse Jones in 1933. And they put preferred stocks into the banks. They concentrated on banks, but they went into other things.

Incidentally, Jesse Jones was-- when he put that money in, he told 'em what the compensation rate was gonna be too. I mean, he was a tough tsar. And it helped take the United States out of a depression. I mean, the RFC was-- was an important component. And I'm sure they got criticized at the start. And they said, "People, you're throwing money into the wrong things and all that."

I'm sure he made mistakes. But when you're fighting a war, I mean you don't expect every single maneuver to be a huge success. What you want to do is win the war. And-- and the-- it's a component making sure that the financial system does not get dysfunctional, which was-- it was-- it was there almost. That's an important part of it.

And there is no way-- you may want to-- you may-- you maybe want to punish Wall Street or something. But you can't-- you can't separate Wall Street, Main Street, side streets. We are connected. This is one big community. And-- and you better have credit flowing.

BROKAW:

But who are our other allies in this war? When-- Bill Clinton took office, for example-- he was helped a lot by your friend Bill Gates and the other people in Silicon Valley who created a whole new industry that had an enormous economic impact on this country.

As you look down the road or over the horizon, where do we get help now? Is it gonna be from Asia? Is it gonna be from China and what they're doing? And can green industries do as much as a lot of their proponents say that they will for the American economy?

BUFFETT:

It'll be from the American people, big time. I mean, when you think about it, you know, you go back to the mid 1800's or something. And people thought, you know, if you had done-- if you-- come along with-- well, it was later than that. The tractors or the combines or that sort

of thing. And put all these people out of work. But they found other things to do. Could I have predicted that the motion picture industry would have sprung up?

Or the electric utility industry? Or-- to make it later, the semi conductors or software? The American genius is that it frees up millions and millions of people with all kinds of potential. Sometimes, potential they didn't even know. To come up with things that I can't dream up myself. I will guarantee you that 30 or 40 years from now, you will see all kind of things being turned out in the United States that people hunger for but that-- they couldn't conceive of them themselves.

But somebody did. That-- that it was-- it was out there. Inspired by-- partly inspired by the system we have. Because we have-- we do have a-- we have a market system that-- that people are-- goods and services. And a lot of people figure out ways to get it to 'em. And we got the-- we-- we-- you know we have equality of opportunity to quite a degree. Not perfect. But-- but we can-- we can let a fellow like Jack Welsh, you know, end up running General Electric.

And-- and on the other hand, we got Mike Tyson fighting for the heavyweight championship. And we don't have Jack fighting for the heavyweight championship. You know? (LAUGHTER) And Mike Tyson running General Electric. We get people in the right jobs doing the right things with the right talents. And that will continue to exist. And that will deliver goods and services you and I can't dream of.

BROKAW:

And how long will it be before Warren Buffet is tooling around Omaha in an electric car?

BUFFETT:

Well, we have this investment -- (LAUGHTER) in a Chinese company. I'm going to have-- I'm going to have an electric car at the annual meeting at Berkshire next year.

BROKAW:

And is that gonna be the future of this country as well?

BUFFETT:

Well, I-- I think an electric car is-- is definitely part of the future. I mean I-- it-- it makes so much sense. I mean, the battery, obviously, is the big stumbling block. But we-- we'll figure out how to do that. I mean, we figured out a lot of things in this-- I-- I will predict that within-- certainly within five years, there is a-- a reasonably priced electric car that will go a long way with a plug in arrangement.

BROKAW:

Paul Krugman, among others, says we're not doing enough. That we've got to even-- open the valves even greater than we have been. A lot of people are concerned about the deficit and what the consequences are gonna be down the stream. Are we doing enough?

BUFFETT:

I don't know the perfect answer. Nobody else does either. I mean, Paul Krugman doesn't know it. And Barack Obama doesn't know it. And (Treasury Secretary-Designate) Tim Geithner doesn't know it. All we know is we have to do something on a very major scale. And if we find out six months down the road that we've-- you know, we've gone a little off course, left or right, we-- that can be adjustment-- we do not want to sit around and debate for six months what the perfect solution is.

We wouldn't know it if we found it. The-- the important thing to do is do what we know we need to do now. And-- and we'll always-- there will always be critics on that. That-- that-- the important thing is, that the person that's there takes the action that makes sense at the time. Did we handle the-- the aftermath of Pearl Harbor the next month perfectly? I don't know whether we did or not. But I would doubt that. You know, somebody now can come up with a better system. The important thing is, we got going.

BROKAW:

A year ago, some of your big business friends and Republican friends were pretty critical and pretty skeptical about Barack Obama. Have they come around?

BUFFETT:

Well, I-- I would say this. I-- I've never quite seen the amount of good will. I mean that-- the people that didn't vote for him-- I've got plenty of friends that didn't ... -- are-- are-- they were critical of him. They want him to succeed. I mean, there's-- people realize this is something very big and something important. And so, they are not-- nobody is hoping he falls on his face. So they are-- they are going to be behind him. And-- in a big way. I--

BROKAW:

And they've been impressed by his appointments.

BUFFETT:

Yeah, they've been impressed by his appoint-- they've been impressed by what he's said-- since-- since-- Election Day. I mean-- you know, I-- I have heard amazingly little-- carping at-- at-- at Obama since-- since the election by people who, you know, they-- they didn't want to-- they didn't vote for him. And you know, he doesn't quite stand for what they believe in. But boy, they-- they want him to succeed.



BROKAW:

Do you think you'll ever get him to stop by a Dairy Queen? (LAUGHTER)

BUFFETT:

I think-- my guess is he's been to the Dairy Queen. I'll work on his girls. (LAUGHTER)