

Warren Buffett did three live interviews with CNBC's Becky Quick in late September and early October.

The first followed his \$5 billion investment in Goldman Sachs.

The second, one week later, came minutes after his investment in General Electric was announced. (General Electric is the parent company of CNBC.)

Two days after that, Buffett reacted to the vote in the House of Representatives approving the government's \$700 billion financial stabilization plan.

This document includes the complete transcripts of all three conversations.

Goldman Sachs Investment CNBC's Squawk Box Wednesday, September 24, 2008

BECKY QUICK: We know you get all kinds of deals, all kinds of people who come knocking asking you to jump in. You've said no to everything to this point. Why is this the right deal at the right time?

WARREN BUFFETT: Well, I can't tell you it's exactly the right time. I don't try to time things, but I do try to price things. And I've got a formula that says bet on brains, and bet of them when it's the right type of deal. And in this case, there's no better firm on Wall Street. We've done business with them for years, with Goldman, and the price

was right, the terms were right, the people were right. I decided to write a check.

BECKY: Does the backdrop of the Federal government potentially getting involved with a massive bailout plan for Wall Street, does that have anything to do with this deal?

BUFFETT: Well, I would say this. If I didn't think the government was going to act, I would not be doing anything this week. I might be trying to undo things this week. I am, to some extent, betting on the fact that the government will do the rational thing here and act promptly. It would be a mistake to be buying anything now if the government was going to walk away from the Paulson proposal.

BECKY: Why would that be a mistake? Because the institutions would collapse, or because you could get a better price?

BUFFETT: Well, there's just no telling what would happen. Last week we were at the brink of something that would have made anything that's happened in financial history look pale. We were very, very close to a system that was totally dysfunctional and would have not only gummed up the financial markets, but gummed up the economy in a way that would take us years and years to repair. We've got enough problems to deal with anyway. I'm not saying the Paulson plan eliminates those problems. But it was absolutely, and is absolutely necessary, in my view, to really avoid going over the precipice.

CARL QUINTANILLA: Warren, we can almost hear you measuring your words as you speak, because what we're talking about has such gravity. There are people out there who either don't, or are unwilling, to acknowledge what exactly, how serious the situation was last week. And I'm hearing you say is that, was it the most frightening experience you've had in your lifetime, in terms of evaluating where this economy stands?

BUFFETT: Yeah, well, both the economy and the financial markets, but there're so intertwined that what happens, they're joined at the hip. And it doesn't pay to get into horror stories in terms of naming institutions or anything. But I will tell you that the market could not have, in my view, could not have taken another week like what was developing last week. And setting forth the Paulson plan, it was the last thing, I think, that Hank Paulson wanted to do. there's no Plan B for this.

BECKY: Warren, you mentioned that Wall Street could not have taken another week like that. But what does that mean to the American taxpayer who's sitting at home saying, 'Why is this my problem?'

BUFFETT: Yeah, well, it's everybody's problem. Unfortunately, the economy is a little like a bathtub. You can't have cold water in the front and hot water in the back. And what was happening on Wall Street was going to immerse that bathtub very, very quickly in terms of business. Look, right now business is having trouble throughout the economy. But a collapse of the kind of institutions that were

threatened last week, and their inability to fund, would have caused industry and retail and everything else to grind to something close to a halt. It was, and still is, a very, very dangerous situation. No plan is going to be perfect, but thanks heavens that Paulson had the imagination to step up with something that is of the scope that can really do something about it. And what he did with the money market funds, that was not an idea that I had, but as soon as I heard about it, that was an important stroke. Because the money, pulling out of the money market funds and going to Treasuries, and driving Treasury yields down to zero. That -- a few more days of that and people would have been reading about lots and lots of troubles.

JOE KERNEN: People listen, Warren, when you speak. And I don't know if you watched the hearings yesterday ...

BUFFETT: I got to watch some of them.

JOE: But when the more dire it looked, in terms of communicating, with some of these Senators, the three-month or one-month bill, again, started acting similar to what was happening on Thursday. Now we averted that disaster on Thursday, but it's already been three or four days. It's almost as if these guys already forgot about the position that we were in. Do you think that accounted -- we're still susceptible to that happening again if it looked like they're not going to go through with this?

BUFFETT: No, it would get worse. Last week will look like Nirvana (laughs) if they don't do something. I think they will. I understand

where they're very mad about what's happened in the past, but this isn't the time to vent your spleen about that. This is the time to do something that gets this country back on the right track. What you have, Joe, you have all the major institutions in the world trying to deleverage. And we want them to deleverage, but they're trying to deleverage at the same time. Well, if huge institutions are trying to deleverage, you need someone in the world that's willing to leverage up. And there's no one that can leverage up except the United States government. And what they're talking about is leveraging up to the tune of 700 billion, to in effect, offset the deleveraging that's going on through all the financial institutions. And I might add, if they do it right, and I think they will do it reasonably right, they won't do it perfectly right, I think they'll make a lot of money. Because if they don't -- they shouldn't buy these debt instruments at what the institutions paid. They shouldn't buy them at what they're carrying, what the carrying value is, necessarily. They should buy them at the kind of prices that are available in the market. People who are buying these instruments in the market are expecting to make 15 to 20 percent on those instruments. If the government makes anything over its cost of borrowing, this deal will come out with a profit. And I would bet it will come out with a profit, actually.

BECKY: Are you buying instruments like these in the market?

BUFFETT: Well, I don't want to leverage up. No one wants to leverage up in this thing. So, if I could buy a hundred billion of these kinds of instruments at today's prices, and borrow non-recourse 90

billion, which I can't, but if I could do that, I would do that with the expectation of significant profit.

JOE: But the government can do that. You can't. And that's why the private sector can't, even you, can't save the system.

BUFFETT: I can't come close to it. But they have the ability to borrow. They can borrow much cheaper than I can borrow. They can borrow unlimited. They don't have covenants. They don't have -- I mean, they are in the ideal position. So, for example, if I were hiring advisers, as I talked about doing to buy these things, I would tell those advisers, 'Look it! People are buying these instruments to make 15 percent. So if you're going to charge me any fees, I'm going to defer those fees until I get rid of these instruments later on. If I don't make at least ten percent on my assets, you know, your fee goes down the drain. Because it should be a lead-pipe cinch to make 10 percent at the kind of prices that exist now. I wouldn't try to write that into the legislation. I don't think you should -- I think they should punish, in many cases, the people -- I would think they might insist on the directors of the institutions that participate in this program waiving all director's fees for a couple of years. They should, maybe, eliminate bonuses. They may wish to do some of those things. I don't think you should try to write it into the instrument, though. I think that gets so damn complicated and ties people's hands. But if I were administering the program, I think I'd be fairly tough about some of those things, and I'd make sure that the advisers

earned me a return that was well above my cost of borrowing before they got paid a dime.

BECKY: Would you administer the program?

JOE: Yeah, can you be on the oversight board? (Buffett laughs.) Can you be on the oversight board?

BUFFETT: I'd love to administer (laughs). I'd love to administer it for nothing, but I would really love to administer and get some kind of an override in terms of the profits, which is naturally the way Wall Street thinks. No, it's not my game to do that, but I will tell you that the buyers of the instruments these days are going to do better than the sellers. And the big buyer, if they -- they shouldn't pay any attention to the cost of these instruments to the selling institutions. They shouldn't pay any attention to the carrying value. In fact, one thing you might do, is if someone wants to sell a hundred billion of these instruments to the Treasury, let them sell two or three billion in the market and then have the Treasury match that, for what they pay. You don't want the Treasury to be a patsy. But I'll tell you, with Hank Paulson on top of it, you couldn't have any better guy to do that. The important thing is that if this program extends into the next administration is to have somebody in the next administration that has similar market savvy.

CARL QUINTANILLA: Separate from the bailout, Warren, people obviously this morning want to look at the Goldman deal, I guess on top of Mitsubishi-Morgan, which happened yesterday and wasn't nearly

as popular, at least from a market point of view. But they want to point to you as the 'canary in the coal mine.' Is that fair? Do you have a problem with that?

WARREN BUFFETT: Well, as long as the canary lives, I'm fine.
(Laughs.)

CARL: I'm guessing you're going to live. At least, you're guessing you're going to live?

BUFFETT: Yeah, I think so. (Laughs.) This is, you know, from our standpoint, we've had a lot of cash. And we now are seeing things that, you know, give us a chance to use that cash sensibly. And this was a five billion dollar opportunity to, I think, deploy cash sensibly. I understand, incidentally, that there will be another five billion. In other words, they mentioned 2-1/2 billion, but I think they're going to allocate it down to five billion additional. So Goldman will have ten billion, I believe, of new money coming in.

BECKY: In that capital offering. In the release, they said 2-1/2 billion (of common stock would be offered in addition to Buffett's investment.) You're saying you understand it's five billion?

BUFFETT: Yeah, I think they have quite an outpouring of orders, so I think -- They'll be allocating it down, but I think from all over the world. So I think there will be five billion of additional common stock sold. That will be determined and announced, I believe, before the opening.

JOE: How much do you know about AIG and their books right now, Warren?

BUFFETT: Well, I think I know a fair amount, but I don't think anybody knew what they needed to know, including the management. The troubles there were in the subsidiary, AIG Financial Products, and they had hundreds of thousands, I'm sure, hundreds and thousands of derivative contracts. And I think that top management did not have their mind around what was involved with those contracts. And you can do a lot of damage on Wall Street with a pen and a piece of paper.

JOE: How many of those units are going to end up under the Berkshire umbrella?

BUFFETT: Well, we would have an interest in a couple of 'em. And actually over that weekend I expressed an interest in one or two, but the pressures were such, and the hole was deep enough, that they simply couldn't get it worked out. And some of those units, most of those units, I believe, will be for sale over the next year or two. And we would be interested in a couple of them. I think they'll probably do a pretty intelligent job of selling them, which means we won't be as good a buyer.

BECKY: You know, Warren, we've been trying to figure out -- I have to admit that I was shocked when I heard the news yesterday about this deal with Goldman, because you haven't put any money into an investment bank since 1987, Salomon. And that was a deal you had

to get personally involved with later in 1991 when you went to run the company for almost a year. It was a very difficult experience. I'm shocked that you would get back in with another investment bank. Why do it?

BUFFETT: (Laughs.) Well, the pain has worn off. That won't be happening with Goldman, but I -- That was a very unfortunate experience, and it was actually caused by just a couple of people out of a workforce of 8000 that got the company into big trouble. And I had the help of a lot of people at Salomon in getting out of it. But I don't think this experience will be similar. Goldman has been extremely well run. My experience with Goldman goes back, when I was nine or ten years old my parents took me back to the New York World's Fair, and by an odd chance I got to sit down with [Sidney Weinberg](#), who was the dean of Wall Street then, and he talked to me as if I was a grown-up for 45 minutes. I've never forgotten the experience. Gus Levy (who later ran Goldman in the 1970s) was a good friend of mine when I worked in Wall Street. In 1955, we only had four wires to Wall Street firms and one of them was to Goldman Sachs and Gus was on the other end of the phone. So I've had a long experience with Goldman and they've done a lot of things for me recently.

JOE: I just assume you know what was going on at all of these firms because I know everybody probably came to you and you made your decisions one-by-one on what to do. When you look at the way some of these assets were marked, could you tell that, for example, Lehman

still wasn't facing reality and perhaps Merrill Lynch was more in the real world?

BUFFETT: Well, I think that turned out to be the case. I was approached on Lehman back in, I think, maybe it was April or March. But the first round of financing when they raised the four billion, and, yeah, it looked to me like it was pretty unrealistic where they were marking things. I feel good about the Goldman marks, incidentally, that's one of the discussions I've had. And -- You can be pretty fanciful in marking positions in Wall Street, particularly when things aren't trading. The one thing you want to make sure, when the Treasury is buying things, is the marks they have don't make any difference. Like I said, it wouldn't be a bad idea, if you're buying ten billion of a security and you're the Treasury, to have them sell five-hundred million, or something like that into the market, so you find out what the real market price is and then buy the other 9-1/2 billion at that price. I really think, I really think the Treasury will make -- I think they'll pay back the 700 billion and make a considerable amount of money, if they approach it in that manner. But I don't believe in trying to write that into some legislation. I think it gets so unworkable. I think you have a smart person in charge, and have them treat it like it's their own money, and the taxpayers' money, in terms of behavior, and I think it will work out very well. I think it's not comparable to the RTC.

CARL: A lot of people who are watching us Warren, and even people who have just started watching us over the past week or two, look at

the stock market every day and are confused. They want to use it as a metric for how we're doing, or at least the progress we're making on big issues. I'm guessing you don't think it's reflective of anything that's based in reality right now?

BUFFETT: Well, the stock market in the short -- my old boss Ben Graham said that in the short-run the stock market is a voting machine, in the long run it's a weighing machine. As a voting machine, it responds to people's emotions. There's no literacy test for voting. You vote according to how much money you have, not according to how smart you (are.) So the stock market does some very silly things in the short-run. Over the long run, it behaves quite rationally. And, you know, five years from now, ten years from now, we'll look back on this period and we'll see that you could have made some extraordinary buys. That doesn't mean it won't get more extraordinary a week or a month from now. I have no idea what the stock market is going to do next month or six months from now. I do know that the American economy, over a period of time, will do very well, and people who own a piece of it will do well. But they shouldn't own it on leverage. That's what people have learned in this period, that you've got to be able to play out your hand and it's a big mistake to let somebody else be in a position where they can sell you out.

BECKY: Warren, when you first invested back in '87 in Salomon, I believe your partner, Charlie Munger, was not as enthusiastic about the idea as you were. Is that true?

BUFFETT: That's true. Of course, he's never as enthusiastic about my ideas as I am. But I would say he was even less enthusiastic. (Laughs.)

BECKY: How does he feel about the Goldman deal?

BUFFETT: Well, I'm glad you asked because I, (laughs), didn't tell him about it until after it was done. (Laughs.)

CARL: How rude!

BUFFETT: (Laughs.) Yeah, it is kind of rude. But Charlie's wife had a bad fall and he's (inaudible) and I called him last night about an hour after I committed it, or something, and I called kinda like a little boy ... (laughs) ... bringing into the house something he was a little worried about. But, Charlie's all for it. (Laughs.)

BECKY: He's all for it.

BUFFETT: Yeah. Now I'm really worried.

BECKY: Uh-oh. For the last nine months, Berkshire has spent a lot of that cash it's been hoarding over the last several years.

BUFFETT: That's right.

BECKY: I was trying to figure it out. I think it's about 24 billion dollars you've spent in the last nine months?

BUFFETT: Yeah, we've spent a lot of money. The money, the money we've spent, you know, we've found things we like to do. It's nice to have a lot of money, but you don't want to keep it around forever. I prefer buying things. Otherwise it's a little like saving up sex for your old age. (Laughs.) At some point, you've got to use it. (Laughter.)

JOE: Uh-oh.

BECKY: Twenty-four billion dollars. Is that a right guess and how much cash do you have left?

BUFFETT: You know, it would be 6-1/2 for the Mars deal, there's five for this, there's five for Constellation, there's a couple of other things. So, yeah, your addition is fine, Becky.

BECKY: How much cash do you have left?

BUFFETT: Well, I've got enough. (Laughs.) I don't really look at it every day. I look for opportunities every day, and then if I find opportunities, I see if I've got enough cash around to take care of them.

JOE: Well, by my calculation, if you lever that up thirty times, Warren, you can really get serious here. (Laughter.) Maybe you don't want to do that, I don't know. (Laughter.) What about, how are we going to deal with this looming 50 -- we just had (New York State Insurance Commissioner) Eric Dinallo on, I don't know if you were watching, Mr. Buffett. He talked about, he can, maybe New York and

his unit can look at the twelve billion, or trillion, jeez, we've got to add a T. I'm finally getting used to Bs, now we have to add a T. But what we are going to do with that 50 trillion and how, having that still around, all these credit default swaps, how serious is that, and how are we going to unwind it and deal with it?

BUFFETT: Yeah, well, it goes beyond credit default swaps into all forms of derivatives. But the derivative genie got out of the bottle, and it's a huge genie, and it will never get back into the bottle. It is a terribly tough problem because they are not homogeneous items. It's one thing to have a clearing house for the futures in Chicago, or something, and every morning have everybody post to market and that's a very efficient system. It's very hard to do that with derivatives where you can derivatives based on the New Zealand money supply or the number of babies born in Japan, and all kinds of things as the variables. And they're often very complicated. I applaud Dinallo. He is an outstanding insurance commissioner. But getting regulation around the entire derivatives market is really tough. I've thought a lot about it. But it's important. Derivatives have been an important part of the problem in financial markets. And they continue to be part of it. And in AIG's case -- AIG would be doing fine now, I think, if they'd never heard of the word derivative.

BECKY QUICK: Mr. Buffett, the front page of the *Wall Street Journal* and other media organizations around the globe have been picking this up, your move yesterday into Goldman Sachs, as a vote of confidence in the banking institutions across the globe. Is that fair?

BUFFETT: Well, I'm not buying a cross-section of banking institutions. But I certainly have confidence in Goldman. And you can say it's a vote of confidence in the Congress to do the right thing with something that's being debated before them right now.

CARL QUINTANILLA: You know, Warren, some might say, 'OK, we know Buffett is a pure capitalist. he's in this to make money and nothing else.' But also you're a philanthropist, you have interests in seeing the country do well over time. Some might say he's doing this, he's timed this to help get the package through. Is there anything -- is that even close to reality?

BUFFETT: No. I timed this because Goldman Sachs yesterday came up with something that made sense to me. I'm not brave enough, to try and influence the Congress. The other way around, they influence me. And I am betting on the Congress doing the right thing for the American public by passing this bill and not trying to doctor it up with a hundred things that, you know, emotionally they feel should be on the bill but as a practical matter will gum things up.

CARL: When do you think, Warren -- I don't know if you even have an answer to this question -- When is the absolute deadline by which you think this needs to happen? Is it this weekend? Can you be that specific? Or if this thing were to bleed into next week, or if they had to reconvene a special session, would that be disastrous?

BUFFETT: Well, I think anything that makes it look like it's in doubt is what causes the problem. So if they said on Friday we're absolutely

having a vote on Monday, or something of the sort, I don't think that would be a problem. But if they went home on Friday and there was doubt about whether they were going to do something on Monday, I think you'd see some things you don't want to see in the markets and they would have some effects on the economy.

JOE: You were watching yesterday, and I don't know, maybe I don't know the ways of Washington. Maybe they say one thing and maybe they're really planning -- you know, they have to look good for their constituents. But I wasn't convinced they really understood the seriousness of the situation, Warren, and that was after they said, look, Greenspan says we need this, Volcker says we need this, Bernanke, Paulson. Now we have you. I don't know. Do you think they get it?

BUFFETT: Well, I think they will get it. I think enough of them will get it. You know, it's not like Pearl Harbor where you could look at what happened with your own eyes and decide you had to do something that day. But this is sort of an economic Pearl Harbor we're going through. And I think most of them will get it. And I do believe they will do what's right for the country. They may vent their spleen a little bit by getting mad about the people that brought us into that, and I don't blame them for that. I might do that privately, too. But in the end, you know, Republican, Democrat, I think they've got the interest of the country at heart and I think they will do the right thing. But I hope they do it soon. (Laughs.)

BECKY: Warren, how long were you talking to Goldman Sachs and how significantly did they have to change the terms of the deal to get you interested?

BUFFETT: Well, what they -- they had talked with me -- almost every financial institution has talked with me, that you read about, over the past few weeks. But, but, they were serious yesterday about doing something. They said, in effect said, 'What would you do? What would Berkshire do? And I laid out something. And they said, 'That makes sense to us.' And we had a deal. It doesn't take long.

JOE: You were kidding Becky when you said that you did this just 'cause you knew we were going to ask you when you were going to do something in financials again and you wanted to have an answer.

BUFFETT: Joe, Joe, I was not -- you know, I was trembling with the thought of you asking me again, 'When are you finally going to do something?' (Laughs.) So this was definitely an attempt to get you off my back.

JOE: It was a cheap way, a mere five billion, so you'd have something to show us this time.

BUFFETT: That's right. I mean, your withering questioning is just too tough for me. (Laughs.)

BECKY: You know, you mentioned earlier, in the grand scheme of things, it's going to matter who the next Treasury Secretary is going to

be. Are there names of people you think would be sound in either administration.

BUFFETT: Becky, if I were running things, Republican or Democrat, I would ask Hank to stay on. I mean, you don't get talent like that very often in any administrative job. And the guy pays an enormous price to do it. He's probably sleeping three or four hours a night. He knows the market. He's got the interests of the country at heart. So I think if I were either Barack Obama or John McCain and found myself in the White House in January, I would go down there and say, 'Hank, do me a favor, stick around another year.'

CARL: And Warren, if you believe, as a lot of people do, that we are in for several years of this unwinding process, the government's going to play a huge role. If you were called to do something on the public side, would you do it?

BUFFETT: Well, I would certainly be glad to help in any way that I could. You know, I would be looked at as having conflicts-of-interest, I'm sure. But anytime I can be helpful on something -- For example, in terms of what you might do with institutions that participated in this program, I think the Treasury can, they can lay down some terms for these people. I don't think they should be in the legislation, but I think -- And if anybody wants my opinion on it, I'd be glad to help them out.

BECKY: Warren, if ...

BUFFETT: They can make money on this deal. I can tell you this. I would love to have 700-billion at Treasury rates to be able to buy fixed-income securities now that they're in distress. There's a lot of money to be made.

JOE: It's just that, you know, they want these details, Warren. They said -- Paulson says there's the hold-to-maturity price and there's the firesale price. We're going to go somewhere in between, get a much better price but still leave enough for the people that are buying it to make some money. That can be done in principle? There's a way to do that, do you think?

BUFFETT: I think what I would be looking for -- I heard that hold-to-maturity price. I'm not as excited about that. I basically like a market, or something very close to a market-related price. And there are ways to determine that and I don't think that Uncle Sam should be in the business of paying somebody a whole lot more than it's worth in the market today. And if the guy that bought it doesn't like it, he doesn't have to sell it, and it was his problem, he bought it in the first place. I think a market price will enable people to be leveraged. The problem they have now is that some of the institutions, they're loaded with this stuff, they're having trouble funding, and they're worried about being able to sell a ton of it. But take the Merrill Lynch deal. Merrill Lynch had to take back 75 percent of the sales price. Well, they didn't want to take back that 75 percent. I would let 'em sell it for the same price, but I'd pay them the whole thing in cash. So they'd be a lot better off if they could have sold the whole thing at that

same price but gotten paid a hundred percent in cash instead of having to take back 75 percent. And I see the government fulfilling that kind of a function.

JOE: All the outrage we're seeing in these comments from viewers, and obviously the senators are hearing from constituents. If we take your word for it, that the government could even break-even, or only lose 50 billion, that 700 billion dollar number is out there in the public, and people think that we're spending that.

BUFFETT: Yeah, they think that, yeah.

JOE: It seems crucially important to get the point across that, in your view, we could, the government could actually end up making money and saving the taxpayer from much worse, a much worse outcome if we didn't do this.

BUFFETT: The government is getting 700 billion worth of assets, assuming they spend the 700 billion, they're getting 700 billion of assets at what I regard as attractive prices. And they've got the staying power to hold those things. If I could get 700 billion, if I could borrow 700 billion on the government's terms and buy these assets I'd be doing it myself. But unfortunately I'm tapped out. (Laughs.)

BECKY: And yet, Warren, Mayor Mike Bloomberg, I heard him making comments this morning, and he's someone I know you've spoken very highly of ..

BUFFETT: I admire him.

BECKY: You admire him. he says this morning we should not be giving a blank check to have something passed in the dead of night. How dire is this situation?

BUFFETT: Well, I'm sure we didn't want to go to war on December 7, 1941, maybe, in the dead of night, or whenever we did it, in the middle of the afternoon actually. But there are time when events force timetables on you, and force action, and you have to be -- You know, it's just like in my business. I might like to think over buying something for a month, I'm not that type anyway. But in the end, if somebody offers me something that makes sense, I better decide whether to act or not. And if it makes sense to me, I usually don't attach unnecessary conditions, you know. It would be nice to have the luxury of thinking about this for three months. But I will tell you, if you think about this for three months, you're going to have a situation where -- If you think about it for three weeks, you're going to be facing a situation that's far different, and far more difficult, than if you do something now.

General Electric Investment CNBC's Street Signs Wednesday, October 1, 2008

Becky Quick: Mr. Buffett, thank you for joining us today. We appreciate it.

Warren Buffett: Yeah, well, I'm up here in an airplane and I hope it's being powered by GE engines.

Becky: (Laughs.) Hope it's being powered by GE engines. You know, Mr. Buffett, every time we turn around it seems like you're doing a new deal these days? Why investing in GE right now? What got you into this?

Buffett: I've followed the company for a very long time. I've known the management. We buy lots of wind turbines from them. We do a lot of business with them. And frankly, these markets are offering us opportunities that weren't available six months or a year ago. So we're putting money to work.

Becky: Are you saying that, because the terms of this deal very different than someone who'd be wandering in buying GE common stock.

Buffett: This deal is patterned very much after the Goldman Sachs deal. As you pointed out, the only, really the only difference is that the preferred is noncallable for three years, but the pattern is almost identical to the Goldman Sachs deal.

Becky: Did you go to GE or did they come to you?

Buffett: Well, they, through Goldman Sachs, through my friend Byron Trott, I was approached on it very recently and so, really, Goldman Sachs approached me.

Becky: Warren, when we talked last week about Goldman Sachs, you said the reason you were doing that deal is that you assumed something would get through Congress, some sort of a rescue plan. That plan, as you know, has run into a wall this week. Are you still expecting that some sort of a plan will get through Congress?

Buffett: Yeah, the Congress will do the right thing when they understand it. You know, they may get sidetracked, as they did earlier this week. But there's no question about the patriotism and the willingness to act in the interest of the country when they understand the issue. That doesn't mean it'll be four hundred -- It won't be 435 to nothing, but I'm betting they'll act responsibly on this. I have every expectation they will, but I'll still feel better after the votes have been counted.

Becky: The deal that you (did) with GE today. The deal that you did with Goldman last week. What happens if nothing does get through Congress? Are these still good deals?

Buffett: I think -- No. I think we've got terrible, terrible, terrible problems. I said two weeks ago that it was an economic Pearl Harbor. And frankly, two weeks later, we're in worse shape because you don't want to delay when there's really a national emergency. So, I think -- But I think that's probably obvious to a majority of the members of Congress now. And I think we'll get action. If we don't, you know, I will have done some dumb things.

Becky: The holdups over the last couple of days, how damaging do you think that is to the United States economy?

Buffett: Well, it hurts. I mean, you've had an economy that's like a great athlete that's had a heart attack, cardiac arrest, and the paramedics that have come, instead of arguing about who was at fault, or the athlete should have been checking his blood pressure more carefully or following a different diet. The thing to do is to apply the resuscitator. And there's a resuscitator bill in Congress and I think it will get passed. It doesn't help to spend a lot of time worrying about who's to blame for the fact that the patient had a heart attack, or what hospital to take him to. The thing to do is to have some action.

Becky: You know, we've had people who have called in, who have written in, who have brought up this question: If this is such a great deal for the American taxpayer, why isn't Warren Buffett involved in that deal as well? What do you say to that?

Buffett: Well, I don't have 700 billion. (Laughs.) We would buy at market prices, we would buy the mortgage debt if we had the borrowing capacity of the government. If we could do the deal that is available to the United States government and have its staying power and its borrowing costs, we would make significant money. I would love to have -- If they buy the assets at market price, I would love to have one percent of the profit or loss that results from buying these assets from troubled financial institutions. Their competition in buying these are a bunch of hedge funds that are buying them to yield 15

percent or 20 percent and the government with its borrowing costs, if they buy them at market, they will realize a significant profit over time. And like I say, I would love to have one percent of the action. I can't afford any more than that. But I would – But the key is buying them at market prices.

Becky: Well, wait a second. Are you saying that if you could get one percent of this deal, you would put up your money?

Buffett: Yeah. If the U.S. Treasury offered me the chance to have a one percent participation in the profit or loss from the 700 billion they're going to spend, and if they buy the assets at market prices, I would feel I made myself a very sweet deal.

Becky: You mean you'd put up the cash in front and you'd go ahead and take the risk of loss, assuming that it was market prices?

Buffett: Yeah, I would take one percent of the deal.

Becky: This deal that you did today --

Buffett: The assets are priced attractively now, Becky. That doesn't mean they're a total lead pipe cinch. But if you buy these things at market prices, if you buy what Merrill Lynch sold at 22 cents on the dollar the other day, you're very likely to make money.

Becky: Wow. That's a message that we get back and forth from Congressmen all the time. Have you spoken to anyone on Capitol Hill about just that?

Buffett: I've spoken to some people, sure.

Becky: And you've told them you'd be interested in taking one percent of that deal?

Buffett: Well, I don't think it's very feasible, but if it were offered to me and they would buy the assets at market price and I had Treasury funding costs, which are very low, and I had the staying power of the Treasury, which is indefinite, I would, you know, I would -- You're going to make money on them in all likelihood.

Becky: What, again, what draws you to General Electric? What concerns you, but what also got you into this deal at this price?

Buffett: Well, General Electric is, you know, it's the backbone of American industry almost. And I know (CEO) Jeff Immelt. I knew Jack, I've known Jack Welch well for decades. They've got some marvelous businesses, and they've got, they've got -- I'm sure they've got some troubles in their finance business, and they've become tainted as every company is that has to borrow a lot of money all the time. You know, they're going to be around five or ten or 100 years from now. If you buy at the right time, you'll probably make some money. But that doesn't say anything about where stocks will be in three months or six months. I think I know what will happen in five or ten years. I just don't know what will happen in five or ten months.

Becky: You know, you talked for a long time about how you liked to buy things that you understand very well, that you see very well,

things like Kraft, things like Budweiser, things like Coca-Cola. How does this fit in with the rest of your portfolio?

Buffett: Well, Burlington Northern buys locomotives from 'em. And we buy planes with their engines and we bought a lot of wind turbines from GE. We'll do a lot of business with GE. They touch almost all corners of the American economy. In fact, they touch all corners of the international economy. So, it is a big, powerful company that will take some losses in their finance operation and, you know, that's part of the game, but they've got staying power and they've got – They've got a lot of businesses that will be worth a lot more money five or ten years from now.

Becky: The last time we talked to you we pointed out that you've been on a spending spree this year. Just the last nine months, you've racked up quite a number of deals that you've gotten involved with. Another three billion dollars on this. Is there a point where you say I'm not spending any more of my cash?

Buffett: We will always have ample, plenty of cash around Berkshire. I regard 10 billion as about a minimum. I do not want to be dependent on the kindness of strangers tomorrow morning in this kind of a world. So I will spend what I consider the surplus cash I have at Berkshire any time I get offered what I think is a sensible deal. But I won't go below a certain minimum. I do not, I don't want to count on banks lending me money or commercial paper coming through, or anything of the sort. So, we'll always keep 10 billion of consolidated

cash around and we will never have any short-term maturities of any consequence at all. But, I like spending. You know, I like investing. And I like, the cheaper things get, the better I like it. So, you know, this is, this is a good period for us ...

Becky: I know you've got --

Buffett: ..a good period for anybody that -- go ahead, I'm sorry.

Becky: No, go ahead.

Buffett: Well, as long as you don't buy things with borrowed money. I mean, it's a terrible mistake to use borrowed money in investments in my view. But if you have the cash -- I mean, if I bought a farm a year ago at two-thousand dollars an acre and I got a chance to buy the farm next to it for fourteen-hundred dollars an acre now, I would not pay a lot of attention to the various indices or anything like that. If I liked the investment, I would buy more of it and we're getting a chance now to buy things on more attractive terms than we could buy them a year or two years ago, so that's when we spend our money.

Becky: Again, you're getting more attractive terms not only than you would have gotten a year or two years ago, but you're getting more attractive terms than you would get if you were an average shareholder who was wading into the market. People look at you ...

Buffett: I think that's true.

Becky: ... They look at you, they watch what you've done and wonder if they should follow suit. What would you tell somebody if they asked you that?

Buffett: I would look at specific securities we buy. But if I were the average individual, whatever business I thought I understood well, or I felt confident about the business's long term prospects, or I felt confident about the management, and where I felt the price was attractive, I would buy it. But I wouldn't buy it with borrowed money.

Becky: That's the key? Not borrowing money, not leveraging up?

Buffett: Yeah. There's no way a smart person can go broke except through borrowed money. All borrowed money does is, it helps, it may help you get rich a little faster, but it can help you get poorer a whole lot faster. You know, if you just buy good, if you make decent investments in things you understand, good businesses, at attractive prices, you'll do well over time.

Becky: Mr. Buffett, we have heard from plenty of people who have written us, who have called in, who have said they're against this rescue plan because they think it's a bailout for Wall Street. You've come out in favor of this plan, but how would you explain this to the average American who maybe doesn't have a lot of money invested in the stock market. What do they have at stake here?

Buffett: Well, this is a -- There is no question this is a rescue plan, but it's a rescue plan for the American economy, not for Wall Street.

If you look at the people at Lehman or Bear Stearns or AIG, I mean, the shareholders have gotten killed and a lot of the people are losing jobs or losing bonuses and all kind of things. This is designed to help the American economy from going into the ultimate tailspin. But when credit has frozen, and it has been, and when banks are unwilling to lend to each other and when eight percent of the deposits in American banks have had to be moved in the last couple of weeks to solvent institutions – And incidentally, (FDIC Chairman) Sheila Bair has just done an outstanding job in making that seamless -- But these are, this is an economic Pearl Harbor and only -- When the whole world wants to deleverage, the only entity in the world that can leverage up to match that force is the U.S. Treasury. They are not doing this for Wall Street. This is being done for the American economy.

Becky: And if you had one message to the senators who are going to be likely voting tonight on this bill?

Buffett: Just vote for what's in the interest of the United States citizenry And I think a majority, a substantial majority, will come out on the side of voting for it.

Becky: We want to thank you very much for your time. We realize it's a little bit difficult where you are right now to get in. But we do appreciate your time and hope to talk to you again soon.

Buffett: OK. The GE engines are performing magnificently on this plane, I want you to know.

Becky: Well, that's good to hear and good to know. We appreciate your time today. Thank you very much, Warren.

Buffett: OK. Thanks.

House Passes Financial Rescue Bill CNBC's Street Signs Friday, October 3, 2008

ERIN BURNETT: Mr. Buffett, wonderful to have you with us. I'll just throw out the first question here and that is this. You said you wouldn't have gotten into GE or into Goldman Sachs if it weren't for this bailout deal. Now it is done. Are you looking actively to put more money to work right now or is this going to be a period of pause for you?

WARREN BUFFETT: Well, that all depends on what's available. We don't have as much money around as we had a few weeks ago, but we still have a little. It all depends on what I see and what's being offered.

BECKY QUICK: Hey Warren, I just want to jump in with this. We watched the House bill being passed today, and I know this is something you've been counting on, passage of this bill in the Congress, on several of these deals that you've done. What do you think now that the bill's actually passed?

BUFFETT: I always said that I thought in the end the Congress would do the right thing on something this important. This is not a panacea. This does not solve all our problems. It just would have been a, it would have been a total disaster if it hadn't of passed and it gives some tools to reducing the impact of this recession on the economy. But it's not a panacea.

BECKY: The market seems to agree with that. The Dow right now down by about 50 points. How much trouble, how much troubled times do you think are ahead for the nation?

BUFFETT: Well, I think frankly there's a lot -- it'll be quite awhile before unemployment bottoms out and the recession bottoms out. I don't know whether -- I don't know how long that period will be, but it's not going to turn around next week or next month. Without this, it would have plunged into something, I think, far, far worse than what we're going to see.

BECKY: Where do you think things will -- Will this loosen up the credit markets? That's what people have been watching so closely.

BUFFETT: Well, that's the key. It will certainly loosen them up. You can't believe how tight the credit markets have been. I mean the credit markets have been frozen here and it was getting worse by the day. And frankly, even waiting these two weeks to pass this bill was -- you know, it all hurts. But this will be a big help. Whether it gets the job entirely done remains to be seen.

BECKY: You know, we were all caught off guard this morning by the Wells Fargo bid to take over Wachovia. How did that come about?

BUFFETT: Well, as I understand it, there was something in the tax bill, actually, that may have been passed Monday, which, in effect, made the deal more attractive. And the Wachovia shareholders are going to get the benefit of the fact that that tax situation changed. They're going to get a lot more money than they would have gotten if that tax bill hadn't passed.

BECKY: Obviously though, Citigroup a little unhappy with how this all came out. Charlie Gasparino has been reporting today that Citigroup officials just found out about this last night at about two o'clock in the morning. They are claiming that they had the FDIC backing on some of this. Where do you see this coming down?

BUFFETT: Well, I don't know the answer to that. I don't know all the technicalities. I know it's a better deal, obviously, for the Wachovia shareholders. And I know that there is no company, there's no banking institution, during the last six months, that has done a better job for its holders, for its depositors, and for its borrowers, than Wells. Wells has been lending more and more money. They've been pumping money into the economy during the last six months while other institutions have been contracting. So I think Wells is a wonderful home for Wachovia.

BECKY: How dire of a situation do you think this was, though, for Wachovia shareholders last weekend when everyone seemed to be

considering this deal at one time, Wells Fargo walked away. Did the idea that Citigroup came in that night keep the bank in operation the next day when the markets opened?

BUFFETT: Well, I think the FDIC one way or another would have kept things open. But there's no question the Wachovia situation worsened dramatically over the last few weeks. Incidentally, I think (Wachovia CEO) Bob Steel has done a good job since he came in, but he got handed an impossible hand. And like I say, fortunately this tax bill makes Wachovia more valuable and Wells has stepped up with an offer that will provide considerably more money to the Wachovia shareholders. I also -- I really do think there's no, there's no banking institution that has done a better job during this tough period than Wells. I'll tell you one interesting fact, Becky. There are only two domestic stocks that I own personally. One is Berkshire Hathaway and the other is Wells Fargo. But I've got quite a bit more of Berkshire Hathaway. (Laughs.)

BECKY: Now I know that when we talked to you about a month ago, you told us that when you were looking at the financials there was one stock you've been buying more of. People at the time -- we narrowed it down to two. We got you to admit that it was either Wells Fargo or American Express. Was it Wells Fargo?

BUFFETT: Well, now you know. Yeah, it was Wells Fargo. (Laughs.) We've added quite a bit to our holdings since the start of the year.

BECKY: Added quite a bit to Wells Fargo -- Have you added to your own personal holdings in Wells, too?

BUFFETT: Yeah, I bought -- The first domestic stock that I can remember buying, I don't know, in a decade or two. But there was a time that Wells got down into the low 20s and so I couldn't resist. I bought some myself. I keep most of my money in Treasury bonds, except for Berkshire Hathaway, but I did buy some Wells.

BECKY: OK, very quickly. Do you know if the FDIC, or Sheila Bair, or anyone else there, has spoken with officials at Wells about this deal?

BUFFETT: I really, I really don't know that. I've been attending a Fortune women's conference in San Diego where they had 250 women and I was the only man. So I've been pretty busy. (Laughs.) For a guy who couldn't get a date in high school, it's been heaven, I have to tell you.

BECKY: Erin, do you have a last question for Mr. Buffett, too?

ERIN: I'd love one more, thanks a lot, Becks. Mr. Buffett, my question was just this. Are you concerned at all that we're ending up in a system where banks that people had thought weren't that strong, and people questioned their business model, for example a Citigroup, that we're going to end up in a country where we really have three huge megabanks, and then a lot of smaller ones. Are you worried about the trend?

BUFFETT: No, well, I, no, I don't think that's a great problem. There is a lot of competition among the big banks. There's still over 8000 banks in the United States. The number will come down somewhat. But it's a plenty competitive business. So I have no worry about the fact that there's undue concentration.

ERIN: Mr. Buffett, thanks so much, and Becky, thank you very much.

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