



Full Transcript: Billionaire Investor Warren Buffett Speaks with CNBC's Becky Quick on "Squawk Box" Today

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CHARLIE MUNGER, VICE-CHAIRMAN OF BERKSHIRE HATHAWAY, ALSO JOINS THE CONVERSATION AT 8:45AM ET

WHEN: Today, Tuesday, January 10, 2018

WHERE: [CNBC's "Squawk Box"](#)

Following is the full unofficial transcript of a CNBC interview with Berkshire Hathaway Chairman & CEO Warren Buffett and CNBC's Becky Quick on CNBC's "Squawk Box" (M-F, 6AM-9AM ET) today, Tuesday, January 10, stemming from the company's announcement this morning that Buffett has appointed Gregory Abel and Ajit Jain as vice chairman for non-insurance and insurance operations respectively. Vice-Chairman Of Berkshire Hathaway Charlie Munger joined the conversation at 8:45am ET. Berkshire Hathaway also announced that Buffett and Munger will continue their respective roles, although Buffett notes this is "part of a movement to succession over time." Video of the full interview is available on [CNBC.com: https://www.cnbc.com/video/2018/01/10/warren-buffett-may-be-slowly-passing-the-baton-at-berkshire-hathaway.html](https://www.cnbc.com/video/2018/01/10/warren-buffett-may-be-slowly-passing-the-baton-at-berkshire-hathaway.html).

All references must be sourced the CNBC.

JOE KERNEN: BERKSHIRE HATHAWAY MAKING SOME BIG CHANGES TO ITS BOARD. LET'S GET TO BECKY QUICK IN OMAHA. SHE JOINS US NOW WITH A VERY SPECIAL GUEST. YIELDS, WARREN, I'M SURE WE'LL WANT TO WEIGH IN ON THAT. I THINK INSURANCE COMPANIES HAVE TO INVEST A BUNCH OF STUFF, DON'T THEY, BECKY? I MEAN, IT MIGHT BE BETTER TO GET –

QUICK: THEY DO.

KERNEN: IT MIGHT BE BETTER TO GET A LITTLE BIT HIGHER.

BECKY QUICK: THEY DO. AND LOW YIELDS HAVE BEEN VERY PAINFUL FOR THE INSURANCE COMPANIES, FOR THE PENSION COMPANIES, AND, YEAH, I'M GUESSING THAT'S PROBABLY GOOD NEWS.

KERNEN: IS HE REALLY THERE WITH YOU, HONEST TO GOD?

QUICK: YEP. YOU WANT TO SEE? YOU WANT TO SEE? TAKE A SHOT.

KERNEN: I'LL BE DARNED. I'LL BE DARNED.

QUICK: TAKE A SHOT OF WARREN. HE'S HERE.

KERNEN: AND THAT'S NOT TOM CRUZ WITH ONE OF THOSE MASKS ON LIKE – THAT'S REALLY –

QUICK: NOPE. NOT LIKE MISSION IMPOSSIBLE.

KERNEN: HI, WARREN. THANKS FOR JOINING US. DON'T SEND ME A BRICK.

WARREN BUFFETT: OK, JOE. YOU'LL GET TWO OF THEM. WE'VE GOT A SPECIAL THIS WEEK.

QUICK: HE WAS WATCHING EARLIER THIS MORNING, JOE, HE HAS ALREADY MENTIONED.

KERNEN: OH, HE DID? HE'S SMILING. HE'S STILL SMILING.

QUICK: HE DID. YEAH HE WAS WATCHING. HE HEARD EVERYTHING. FOLKS, THAT'S RIGHT. WARREN BUFFETT, THE CHAIRMAN AND CEO OF BERKSHIRE HATHAWAY IS WITH US THIS MORNING, AND THIS IS ON A MORNING THAT BERKSHIRE HATHAWAY HAS SOME BIG NEWS. TWO NEW APPOINTMENTS TO THE BERKSHIRE HATHAWAY BOARD. GREG ABEL WHO RUNS BERKSHIRE HATHAWAY ENERGY AND AJIT JAIN WHO RUNS BERKSHIRE HATHAWAY RE-INSURANCE. THEY WILL NOW BE RESPONSIBLE – THEY WILL BOTH BE PROMOTED TO VICE CHAIRMAN, BE NAMED TO THE BOARD, AND WILL EACH HAVE THEIR OWN PORTFOLIO TO RUN IN THE COMPANY. GREG ABEL, YOU SEE THERE WHO IS 55 YEARS OLD, IS GOING TO BE RUNNING ALL THE NONINSURANCE PARTS OF BERKSHIRE HATHAWAY. AND AJIT JAIN, PICTURED HERE WHO IS 66 YEARS OLD, IS GOING TO BE RUNNING ALL THE INSURANCE PARTS OF BERKSHIRE HATHAWAY. AND WARREN, WE MADE A COMMENT ABOUT

THIS EARLIER TODAY THIS IS THE CLOSEST THAT WE'VE EVER HEARD TO A SUCCESSION PLAN AT BERKSHIRE HATHAWAY. IS THAT HOW WE SHOULD BE READING THIS?

WARREN BUFFETT: WELL, YEAH. IT'S PART OF A MOVEMENT TOWARDS SUCCESSION OVER TIME, AND THEY ARE THE TWO KEY FIGURES AT BERKSHIRE. THIS WOULD HAVE MADE SENSE FIVE YEARS AGO, TOO. THEY BOTH HAVE BERKSHIRE IN THEIR BLOOD. THEY LOVE THE COMPANY. THEY KNOW THEIR OPERATIONS LIKE THE BACK OF THEIR HAND. SO, IT'S REALLY, IT'S VERY GOOD FOR BERKSHIRE, AND IT'S EVEN BETTER FOR ME.

QUICK: YOU MENTIONED YOURSELF THAT THIS COULD HAVE HAPPENED FIVE YEARS AGO.

BUFFETT: OH, SURE.

QUICK: THERE HAVE BEEN PEOPLE WHO HAVE BEEN PUSHING YOU TO MAKE PUBLIC YOUR SUCCESSION PLANS FOR QUITE A BIT LONGER THAN THAT. WHICH RAISES THE QUESTION, WHY NOW?

BUFFETT: WELL, LIKE YOU SAY, IT PROBABLY SHOULD HAVE BEEN DONE A FEW YEARS AGO, BUT EVERYTHING HAS BEEN WORKING FINE. ON THE OTHER HAND, THERE'S SOME VALUE IN HAVING BOTH OF THEM IN THOSE POSITIONS AND GETTING MORE FAMILIAR WITH THE ONES THEY HAVEN'T BEEN – THE OPERATIONS THEY HAVEN'T BEEN IN CONTACT WITH BEFORE. AND I'VE GOT A CERTAIN AMOUNT OF INSTITUTIONAL KNOWLEDGE AND I CAN TELL THEM THE STRONG POINTS AND THE WEAK POINTS AND THIS AND THAT OF THE VARIOUS OPERATORS. IT'S JUST A TRANSITION PERIOD THAT MAY LAST A LONG TIME OR IF SOMETHING HAPPENED TO ME, IT COULD HAPPEN VERY SOON. THERE'S NOTHING MAGIC ABOUT THE TIME. IT'S KIND OF INTERESTING, ACTUALLY, I TALKED TO THE DIRECTORS ONE AT A TIME BEFORE WE HAD THIS MEETING LAST NIGHT AND THE DEGREE TO WHICH THEY JUMPED AT THE SUGGESTION WAS A LITTLE ALARMING.

QUICK: WANTING YOU TO GO AHEAD AND MAKE THE –

BUFFETT: OH YEAH. THERE WAS NO PERSUASION NEEDED.

QUICK: YOU JUST SAID THAT THIS COULD HAPPEN, IT COULD LAST A LONG TIME, OR IT COULD HAPPEN MORE IMMEDIATELY. SHOULD PEOPLE BE CONCERNED ABOUT YOUR HEALTH?

BUFFETT: NO. I AM REMARKABLY IN GOOD HEALTH, PARTICULARLY CONCERNING THE LIFE I'VE LED. EVERYTHING PHYSICAL GETS A LITTLE – YOUR BALANCE ISN'T AS GOOD, AND YOUR ENDURANCE MAY NOT BE QUITE AS GOOD AND ALL OF THAT. SO, I HAVE SLIPPED IN ALL THESE VARIOUS WAYS, BUT I WASN'T MUCH TO START WITH. SO THE AMOUNT OF SLIPPAGE IS FAIRLY MINOR JUST BECAUSE I STARTED FROM A LOW BASE. NO, I FEEL TERRIFIC. I LOVE WHAT I DO. I CAN'T WAIT TO GO TO THE OFFICE IN THE MORNING, AND, NO, THERE'S BEEN NO CHANGE IN THAT. AND INCIDENTALLY, IF THERE WAS ANYTHING ABOUT MY HEALTH, AND THIS HAS BEEN TRUE SINCE I TOOK OVER, I WOULD TELL THE SHAREHOLDERS IMMEDIATELY. I'M NOT WRONG TO TALK ABOUT MY HEALTH. IN FACT, I THINK YOU HAVE A DUTY TO DO THAT WHEN YOU ARE CEO.

QUICK: SO HOW WILL THIS CHANGE OPERATIONS AT BERKSHIRE? YOU WILL NOW HAVE THREE VICE CHAIRMAN. CHARLIE MUNGER, AJIT JAIN AND GREG ABEL. WHAT DOES THAT MEAN?

BUFFETT: WELL, IT MEANS NOTHING IN TERMS OF PHYSICAL CHANGE. AJIT LIVES IN NEW YORK, WORKS IN CONNECTICUT, AND ALSO IN NEW YORK CITY. GREG LIVES IN DES MOINES. THEY WON'T CHANGE ANYTHING. THERE'S NO CHANGE IN OUR OFFICE. CFO IS IN OMAHA. THERE WONT BE A CHANGE IN ONE PERSON IN OMAHA OR REALLY ANY PLACE ELSE EXCEPT SOMEBODY WILL MOVE UP TO THE HEAD OF BERKSHIRE HATHAWAY ENERGY.

QUICK: I GUESS THE QUESTION BECOMES, IF THIS IS THE SUCCESSION PLANNING KIND OF OPENED UP, DOES THIS MEAN THAT THEY WOULD BOTH BE RUNNING BERKSHIRE HATHAWAY AT SOME POINT? SORT OF THE WAY YOU HAVE YOUR INVESTMENT POTENTIAL SET UP WITH TODD AND TED. TODD COMBS AND TED WESCHLER EACH RUNNING TWO THINGS AND KIND OF OPERATING TOGETHER. IS THAT HOW WE

SHOULD ANTICIPATE SUCCESSION PLANNING AT BERKSHIRE HATHAWAY FOR THE CEO JOB?

BUFFETT: NO. WHEN I'M NOT CEO, THERE WILL BE ANOTHER CEO. THERE WILL BE A CEO. AND HOW THAT CEO WILL ORGANIZE THINGS WILL BE UP TO HIM IN THIS CASE. AND HE WILL FIGURE OUT THE BEST WAY TO DO IT. AND IT WON'T CHANGE VERY MUCH. IT WILL CHANGE A LITTLE, BUT IT WON'T CHANGE VERY MUCH.

QUICK: DO YOU KNOW WHICH OF THESE TWO WOULD BE CEO IF THIS WERE TO HAPPEN OVERNIGHT?

BUFFETT: WELL, YOU NEVER KNOW, BUT OUR DIRECTORS KNOW WHAT THEY WOULD DO TOMORROW MORNING IF IT HAPPENED, BUT THEY DON'T KNOW WHAT THEY WOULD DO FOUR YEARS FROM NOW, SAY IF IT HAPPENED THEN.

QUICK: I GUESS THAT RAISES THE QUESTION, DOES THIS RAISE A LITTLE BIT OF A HORSE JOCKEYING COMPETITION?

BUFFETT: THERE'S NO HORSE RACE AT ALL IN THESE TWO FELLOWS. THEY KNOW EACH OTHER WELL. THEY LIKE EACH OTHER WELL. THEY BOTH HAVE THEIR AREAS OF SPECIALTY. I MEAN, GREG WOULD NOT WANT TO BE RUNNING INSURANCE AND AJIT WOULD NOT BE RUNNING THE OTHER OPERATIONS. THEY ARE EXTREMELY GOOD AT WHAT THEY DO. THOSE ARE TWO PRETTY DIFFERENT BUSINESSES. AND THEY'RE ROUGHLY EQUAL BUSINESSES. THERE ARE MORE PEOPLE ON ONE SIDE, BUT THE INSURANCE BUSINESS GENERATES OVER \$100 BILLION OF FLOAT IN ADDITION TO HAVING WELL OVER \$100 BILLION INVESTED IN IT IN TERMS OF NET WORTH. SO, THERE'S MORE OR LESS PARODY OF EARNING POWER AND IMPORTANCE.

QUICK: THAT'S WHAT I WAS GOING TO ASK YOU ABOUT BECAUSE WE'VE BEEN LOOKING AT SOME OF THE MEASURES THIS MORNING JUST FROM ANALYST'S NOTES ON SOME OF THESE THINGS. IF YOU LOOK AT 2016 PROFIT AND BREAK IT DOWN, THE INSURANCE COMPANY REPRESENTS ABOUT A QUARTER OF THE BUSINESS. AT LEAST FOR THE PROFITS FOR THAT YEAR AND OBVIOUSLY INSURANCE PROFITS CAN SWING PRETTY RAPIDLY. BUT YOU LOOK AT IT A LITTLE DIFFERENTLY.

BUFFETT: YEAH. IF WE HAVE \$100 BILLION PLUS A FLOAT, THAT MEANS THOSE INTERESTS IN DIVIDENDS AND A FAIR AMOUNT OF CAPITAL GAINS OVER TIME COME FROM THE INSURANCE OPERATION. THEY'RE REALLY OF PRETTY EQUAL IMPORTANCE. I'M NOT SURE IF WE WERE TO SELL ONE SIDE OR THE OTHER WHICH ONE WOULD BRING MORE MONEY. THEY BOTH ARE ENORMOUSLY IMPORTANT TO BERKSHIRE.

QUICK: AND THE KEY IS – IT'S KIND OF THE SECRET BEHIND BERKSHIRE HATHAWAY FROM ALL THESE YEARS. THE INSURANCE COMPANY CREATING THE FLOAT THAT THEN YOU CAN TURN AROUND AND INVEST EITHER IN PURCHASING OTHER BUSINESSES OR IN PURCHASING SECURITIES AND BRINGING THEM IN. HOW DOES THAT WORK WHEN IT'S NOT THE SAME PERSON WHO IS KIND OF RESPONSIBLE FOR OVERSEEING ALL OF THAT? THEY WOULD HAVE TO BE PEOPLE WHO WORK WELL TOGETHER.

BUFFETT: WELL, THEY CERTAINLY HAVE TO UNDERSTAND EACH OTHERS OPERATION. BUT I INVEST THE CAPITAL, AND CHARLIE DOES IT WITH ME. BUT IN OUR INSURANCE OPERATIONS, TONY NICELY OF GEICO, HE DOESN'T THINK FOR FIVE SECONDS ABOUT HOW THE MONEY IS GETTING INVESTED, AND ACTUALLY, THE SAME WAY WITH AJIT. THEIR JOB IS TO DEVELOP GOOD INSURANCE BUSINESS, CREATE MORE FLOW OVER TIME, AND MY JOB IS TO INVEST IT. THERE'S REALLY THREE FUNCTIONS IN THE BUSINESSES. TWO DIFFERENT TYPES OF OPERATIONS, AND THEN THERE'S THE MONEY.

QUICK: WHY DIDN'T YOU DO THIS YEARS AGO? WHAT WAS THE REASONING BEHIND THAT?

BUFFETT: PROBABLY LETHERGY BORDERING ON SLOTH OR SOMETHING OF THE SORT. THERE WASN'T A REASON TO DO IT PARTICULARLY, YOU CAN SAY THERE IS A REASON TODAY. BUT IT WILL BE VALUABLE TO ANYBODY THAT SUCCEEDS ME TO HAVE HAD MORE EXPERIENCE IN THE OVERALL MANAGEMENT OF A LARGE AREA, AND WE HAVE SO MANY DIFFERENT – INSURANCE OPERATIONS – WE HAVE A LOT OF DIFFERENT ONES IN INSURANCE. WE HAVE EVEN MORE THAN THE OTHER OPERATIONS. JUST IN TERMS OF THE HISTORY OF WHICH MANAGERS

REALLY DON'T NEED ANY HELP WHATSOEVER AND WHICH ONES IF THEY'RE DOING BOLT ON ACQUISITIONS MAY NEED MORE INPUT THAN OTHERS. THERE'S A LOT OF DIFFERENT INDIVIDUALS RUNNING OUR DIFFERENT BUSINESSES AND THEY HAVE DIFFERENT STRENGTHS AND WEAKNESSES. AND OVER TIME, ON BOTH THE INSURANCE SIDE AND THE NON-INSURANCE SIDE, EACH OF THOSE FELLOWS WILL PICK UP – THEY'LL KNOW A LOT MORE A YEAR FROM NOW THAN THEY KNOW NOW.

QUICK: AND THEY'LL HAVE THOSE BUSINESSES REPORTING THROUGH TO THEM?

BUFFETT: TO THEM. AND THEY'LL DECIDE THE COMPENSATION OF THE PEOPLE UNDERNEATH. I MEAN, CERTAIN PEOPLE WE HAVE COMPENSATION ARRANGEMENTS WITH THAT WE WILL HAVE IN FORCE FOR THEIR LIFETIME BECAUSE WE MADE UP AT THE TIME OF ACQUISITION, BUT ASIDE FROM THE ONES THAT ARE FIXED, THOSE DECISIONS WILL BE THEIRS. AND SMALLER BOLT ON ACQUISITIONS WILL PROBABLY BE THEIRS IF THERE'S A LARGE BOLT ON ACQUISITION, THEN CHARLIE AND I WILL GET INVOLVED.

QUICK: YOU WILL GET INVOLVED IN MAKING THE ACQUISITION, BUT I WOULD ASSUME THAT ANY FUTURE ACQUISITIONS WOULD REPORT THROUGH – THOSE DIVISIONS WOULD REPORT THROUGH TO ONE OF THESE TWO GENTLEMEN.

BUFFETT: THAT'S CORRECT.

QUICK: WILL THAT MAKE IT MORE DIFFICULT FOR YOU TO MAKE ACQUISITIONS BECAUSE ONE OF THE BIG LURES IN THE PAST HAS BEEN BEING ABLE TO REPORT TO WARREN BUFFETT?

BUFFETT: WELL, IT ISN'T THAT I DISAPPEAR. I WILL TELL ALL THESE FELLOWS AND WOMEN TO SEND ME THE STATISTICAL INFORMATION THEY GET. IT'S LIKE LOOKING AT BASEBALL SCORES OR SOMETHING FROM MY STANDPOINT. SO I'LL KEEP GETTING INFORMATION, BUT I WILL NOT BE SETTING THE PAY. I MEAN, THEY WILL BE WORKING FOR EITHER AJIT OR GREG. BUT I'LL BE AS INTERESTED AS EVER. THERE'S NOT A DROP OF BERKSHIRE BLOOD THAT'S LEAVING MY BODY.

QUICK: YOU SAID THAT THIS IS SOMETHING THAT YOU FEEL GREAT.

BUFFETT: TERRIFIC.

QUICK: YOUR HEALTH IS IN PERFECT HEALTH.

BUFFETT: YEAH.

QUICK: SAME THING. ARE YOU TIRED? DO YOU NOT WANT TO BE DOING AS MUCH?

BUFFETT: NO. I'M DOWN AT THE OFFICE ON SATURDAY. ANY SATURDAY I'M IN TOWN, UNLESS THERE'S SOMETHING VERY UNUSUAL GOING ON. I LOVE IT. I LOVE BERKSHIRE. I LOOK FORWARD EVERY MORNING TO BEING THERE. IT'S A GREAT – YOU COULDN'T HAVE A BETTER JOB THAN I'VE GOT. I'VE JUST MADE IT ONE NOTCH BETTER NOW.

QUICK: THERE'S A JPMORGAN REPORT FROM SEPTEMBER OF LAST YEAR AND THE ANALYST THERE POINTS OUT THAT SUCCESSION HAS ALWAYS BEEN A BIG QUESTION, THE NEXT LINK OF WHO IS GOING TO BE THERE HAS ALWAYS BEEN A HUGE QUESTION. BUT SHE ALSO POINTS OUT SHE WOULDN'T BE SURPRISED TO SEE YOU RUNNING THINGS FOR THE NEXT TEN YEARS OR SO. YOU HAVE AN ACTUARIAL BRAIN, YOU RUN THESE THINGS THROUGH. WHAT DO YOU THINK WHEN YOU START THINKING ABOUT HOW LONG YOU'LL BE RUNNING BERKSHIRE?

BUFFETT: TEN YEARS WOULD BE A LONG TIME, BUT EVERY TIME I SEE ONE OF MY DOCTORS, I SAY JUST GUARANTEE ME THE NEXT FIVE YEARS. IT'S SORT OF A RUNNING EXTENSION AS I GO ALONG. RUNNING IT NOW IS EXACTLY LIKE IT WAS LIKE IT WAS TEN YEARS AGO OR SO. IF THERE'S A DEAL SOME PLACE, I'LL GET ON A PLANE AS SOON AS I LEAVE HERE. I LOVE WHAT I DO AT BERKSHIRE. THERE'S NOTHING I WOULD RATHER BE DOING BECAUSE I COULD DO ANYTHING ELSE IF I WANTED TO DO SOMETHING DIFFERENTLY. IT'S MORE FUN THAN I THINK I COULD IMAGINE.

QUICK: AND HOW DID THIS DECISION COME ABOUT?

BUFFETT: I JUST WAS – I'VE MOLDED VARIOUS TIMES EXACTLY WHEN I WOULD DO SOMETHING LIKE THIS. MAYBE SIX WEEKS AGO OR SO I JUST DECIDED WHY NOT NOW? AS I SAID, I TALKED TO THE DIRECTORS ONE AT A TIME INDIVIDUALLY BEFORE WE HAD THIS VOTE LAST NIGHT

AND THEY JUMPED ALL OVER IT. I WAS HOPING THERE WOULD BE A LITTLE DISENT OR SOMETHING. AND THEN THE MEETING TOOK ABOUT 15 MINUTES YESTERDAY ON THE PHONE. SO, IT JUST MAKES SENSE NOW. I KNOW THAT IF I WERE IN THE POSITION OF THOSE TWO FELLOWS, I WOULD JUST AS SOON HAVE SOME OF THE STUFF. I WOULD LIKE TO GET SOME EXPERIENCE WITH SUPERVISING A WHOLE GROUP OF BUSINESSES BEFORE I EVENTUALLY TOOK OVER.

QUICK: YEAH AND POTENTIALLY MAKING SURE THEY FEEL COMFORTABLE WITH ALL OF THOSE ISSUES, TOO. CHARLIE MUNGER IS NOW GOING TO BE SHARING THE TITLE OF VICE CHAIRMAN. HE WILL BE JOINING US A LITTLE LATER THIS MORNING. HOW DOES HE FEEL ABOUT SHARING THAT TITLE?

BUFFETT: OH, IT WAS HIS IDEA, ACTUALLY, IN TERMS OF THE TITLE. I GOT ABOUT HALFWAY THROUGH THE FIRST SENTENCE, WHICH IS MORE THAN I USUALLY GET THROUGH WITH CHARLIE BEFORE HE COMES UP WITH A BETTER IDEA, AND HE JUST SAYS, LET'S JUST HAVE THREE VICE CHAIRMEN.

QUICK: WELL, WE WILL BE JOINED BY CHARLIE MUNGER LATER THIS MORNING TO TALK ABOUT HIS PERSPECTIVE ON ALL OF THIS AS WELL. WHEN WE COME BACK RIGHT HERE IN OMAHA, WE WILL HAVE MORE FROM WARREN BUFFETT. WE ARE GOING TO TALK TO HIM ABOUT WHAT HE SEES IN THE MARKETS AT THE BEGINNING PART OF THIS YEAR, WHAT HE THINKS ABOUT INTEREST RATES THIS MORNING AND MUCH MORE. AGAIN, WE ARE LIVE IN OMAHA, NEBRASKA, THIS MORNING WITH WARREN BUFFETT, THE CHAIRMAN AND CEO OF BERKSHIRE HATHAWAY. NEWS THIS MORNING AND MUCH MORE. WE'LL BE BACK WITH MORE AFTER A QUICK BREAK.

QUICK: WELCOME BACK TO "SQUAWK BOX" EVERYBODY. WE ARE LIVE IN OMAHA, NEBRASKA THIS MORNING WITH WARREN BUFFETT, WHO IS THE CHAIRMAN AND CEO OF BERKSHIRE HATHAWAY. BIG NEWS OUT OF BERKSHIRE THIS MORNING, BUT ALSO OBVIOUSLY PEOPLE WONDER, WARREN, WHAT YOU THINK ABOUT THE MARKETS AT ANY GIVEN POINT. PARTICULARLY NOW SEEING WHAT'S HAPPENED. THE S&P HAS HAD ITS

BEST START TO THE YEAR SINCE 1987. STOCK MARKETS CONTINUE TO KEEP GOING UP AND ITS GOT PEOPLE BOTH WANTING TO PARTICIPATE AND THEN ALSO THAT WE ARE SEEING SOMETHING THAT THE END IS NEAR, THAT WE ARE GETTING INTO OVERPRICED TERRITORY. I KNOW THAT YOU DON'T ALWAYS LOOK AT MARKETS ON A CASE BY CASE BASIS BUT IF YOU'RE JUST LOOKING, BROADLY SPEAKING, DO THE MARKETS SEEM RICHLY VALUED TO YOU?

BUFFETT: THEY'RE NOT RICHLY VALUED RELATIVE TO INTEREST RATES, YOU KNOW. STOCKS ARE – INTEREST RATES ARE THE LONG-TERM RATE. IT'S 3%, AND WE'RE QUITE A BIT LESS THAN EXIT. THE LONG-TERM RATE IS 7%. THERE'S PANIC MANY IN STOCKS IF THE LONG-TERM RATE IS 15% LIKE IT WAS IN 1982. SO INTEREST RATES ARE THE GRAVITY TO VALUE BASICALLY. AND EVERYTHING IS WORTH IN AN INVESTMENT SENSE THE PRESENT VALUE OF WHAT IT'S GOING TO -- CASH IS GOING TO DELIVER IN THE FUTURE. AND OBVIOUSLY, IF RATES GO UP, THAT PRESENT VALUE BRINGS THE NUMBER TODAY DOWN. SO, WE'VE HAD LOW INTEREST RATES NOW FOR A VERY LONG PERIOD, AND WE'VE HAD A BULL MARKET SINCE – WELL, REALLY SINCE MARCH OF 2009. WHEN I WAS ON, AND JOE ASKED WHY I WASN'T BUYING MORE AMERICA EXPRESS AT 12, AND I TOLD HIM THAT I WAS BUYING THINGS THAT WE WEREN'T ALLOWED TO. SO, IT'S – WHAT HAS HAPPENED IN THE MARKET HAS BEEN VERY SENSIBLE. I MEAN, NOBODY THOUGHT WE WOULD HAVE THESE KIND OF INTEREST RATES FOR A LONG TIME. NOW, ADDITIONALLY, YOU HAD THE TAX ACT, WHICH IS A HUGE FACTOR IN VALUATION. I MEAN, IF YOU HAD BOUGHT – WE'RE IN OMAHA, LET'S SAY YOU HAD BOUGHT THE UNION PACIFIC RAILROAD YOURSELF, LIKE WE BOUGHT THE BNSF, AND IF YOU HAD BOUGHT IT A YEAR OR TWO AGO, YOU COULD HAVE BOUGHT 100% OF THE STOCK, BUT THE U.S. GOVERNMENT WOULD HAVE HAD A SUPER STOCK THAT WAS ENTITLED TO 35% OF THE EARNINGS. AND THEY HAD JUST CHANGED THAT WITHOUT YOU PAYING THEM A PENNY TO WHERE THERE'S – THEY NOW HAVE 21% OF THE STOCK. IN EFFECT, YOU BOUGHT IN THEIR 14%, 40% OF WHAT THEY HAD FOR NOTHING. I MEAN, IT'D BE LIKE I GAVE

14% OF BERKSHIRE BACK TO BERKSHIRE FOR NOTHING. WOULD THAT MAKE THE REMAINING SHARES MORE VALUABLE? OF COURSE IT WOULD. AND SO YOU'VE HAD THIS MAJOR CHANGE IN THE SILENT STOCKHOLDER IN AMERICAN BUSINESS WHO HAS BEEN CONTENT WITH 35% -- NOW THERE'S VARIOUS THINGS ABOUT FOREIGN EARNINGS AND ALL THAT, BUT 35% OF A BASIC – OUR BASIC BUSINESSES. AND NOW INSTEAD OF GETTING A 35% INTEREST ON THEIR EARNINGS THEY GET A 21%, AND THAT MAKES THE REMAINING STOCK MORE VALUABLE. QUICK: I HAVE NOT HEARD ANYBODY EXPLAIN IT JUST LIKE THAT. WHEN YOU SAY SOMETHING LIKE THAT, YOU KNOW, WE'RE CONSTANTLY ASKING IS THIS BAKED INTO THE MARKET? IS THIS REFLECTED IN THE MARKET? WHEN YOU SAY SOMETHING LIKE THAT, THAT MAKES ME THINK NO, THAT THIS IS A MUCH LONGER TERM, MUCH BIGGER DEAL THAN THE RUN-UP THAT WE'VE SEEN IN THE LAST MONTH OR SO.

BUFFETT: WELL, IT'S A BIG DEAL. HOW MUCH OF IT HAS BEEN BAKED IN AS PEOPLE STARTED THINKING MAYBE THERE WOULD BE THE TAX BILL AND HOW BIG WOULD IT BE. I THINK THAT – 21% WAS NOT BAKED IN, THAT'S A HUGE, HUGE REDUCTION. IF YOU AND I WERE PARTNERS IN A BUSINESS AND YOU OWNED 35% OF IT AND I OWN 65% AND THEN YOU SHOWED UP ONE DAY AND SAID I'M GIVING YOU 14 OF MY 35 POINTS, NOW MY INTEREST HAS GONE FROM 65% TO 79%. THAT'S MORE THAN A 20% INCREASE IN THE EARNING POWER, AND YOU'VE JUST GIVEN IT TO ME. NOTHING HAS CHANGED IN THE BUSINESS THAT'S -- IT'S A BIG FACTOR. NOW, THEY CAN TAKE IT AWAY TOO. GO THE OTHER DIRECTION.

QUICK: THEY – LOOK, WE'RE LOOKING AT THIS NEW CHANGE. IT'S JUST BEEN ON A CASE BY CASE BASIS THAT INVESTORS ARE TRYING TO FIGURE OUT WHAT THIS MEANS FOR COMPANIES. AND WE ARE JUST BEGINNING TO HEAR THE VERY EARLY PIECES OF THIS. YOU'RE BASICALLY SAYING THAT THIS IS GOOD NEWS FOR SHAREHOLDERS ACROSS THE BOARD BECAUSE SOMETIMES THIS IS PAINTED AS

SOMETHING THAT'S A GIVE-AWAY TO CEOS OR CORPORATE EXECUTIVES, THINGS ALONG THOSE LINES.

BUFFETT: PEOPLE WHO OWN THE BUSINESSES HAVE JUST OWNED -- THEY NOW OWN 20% MORE OF THE DOMESTIC EARNINGS. I MEAN THE FOREIGN STUFF GETS MORE COMPLICATED, BUT IT'S GOOD IF YOU OWN THE FOREIGN STUFF, TOO. FOREIGN EARNINGS. WE HAPPEN TO BE OVERWHELMING U.S. ORIENTED AT BERKSHIRE. BUT IT'S AN INTERESTING POINT. THE GOVERNMENT DOESN'T OWN THE ASSETS OF THE BUSINESS, WE OWN 100% OF THE ASSETS OF BNSF, BUT WE DON'T OWN 100% OF THE PROFITS. AND WE WENT FROM 65% TO 79 PERCENT OF THE PROFITS AT BNSF, AND THAT IS A -- MORE THAN A 20% INCREASE. YOU KNOW, THAT'S 14 POINTS ON 65. SO, IT'S A BIG DEAL. QUICK: WHAT DOES IT MEAN SPECIFICALLY FOR BERKSHIRE HATHAWAY? THERE WAS AN ANALYST WHO JUST PUT OUT A NOTE, JAY GELB, THAT SAID THAT IT'S A \$37 BILLION BOOK VALUE INCREASE FOR BERKSHIRE INSTANTANEOUSLY.

BUFFETT: YEAH, WELL, IT DOESN'T MEAN A DIME OF CASH TODAY. BUT WE HAVE A HUGE OF AMOUNT OF DEFERRED TAX LIABILITIES. FOR EXAMPLE, YOU PROBABLY -- I'M PULLING THESE FIGURES OUT. DON'T FILE A SUIT IF I'M OFF A LITTLE BIT. BUT WE HAVE PERHAPS \$100 BILLION OF UNREALIZED APPRECIATION IN THE SECURITIES WE OWN. AND IF YOU OWN SECURITIES THAT HAVE GONE UP, YOU DON'T HAVE TO PAY A TAX JUST BECAUSE THEY'VE GONE UP, BUT IF YOU SAW THEM, YOU DO, AND IF YOU KEPT YOUR BOOKS ON AN ACCOUNTING BASIS, YOU SET UP A LIABILITY FOR THE TAX ON YOUR UNREALIZED GAIN. WELL, OUR TAX ON THE UNREALIZED GAIN ON \$100 BILLION WOULD BE \$35 BILLION, AND THEN THAT GOES DOWN TO \$21 BILLION UNDER THE NEW TAX LAW. SO, ANYBODY THAT HAS A LOT OF DEFERRED TAX LIABILITIES GETS A BIG KICK UP IN BOOK VALUE. A COMPANY LIKE CITIGROUP HAS A BIG DEFERRED TAX ASSET. THE REVERSE IS TRUE THERE, BECAUSE THAT TAX ASSET IS NOT WORTH AS MUCH. WHAT IT DOES IS IT REDUCES THEIR TAXES IN IT FUTURE YEARS, AND THAT REDUCTION IS WORTH 21 CENTS ON THE DOLLAR INSTEAD OF 35

CENTS ON THE DOLLAR. SO, IT DEPENDS WHETHER YOU HAVE A LOT OF DEFERRED TAX LIABILITIES OR DEFERRED TAX ASSETS, AMONG OTHER THINGS, BUT THAT'S A BIG ONE WITH US.

QUICK: I MEAN IT'S A CHANGE IN ACCOUNTING, BUT WHAT DOES IT MEAN INSTANTANEOUSLY? OR IT'S JUST A DESCRIPTION OF HOW –

BUFFETT: WELL, IT DOES MEAN IF I SELL SOME STOCK THAT I WAS GOING TO SELL IN DECEMBER, AND I WANTED TO SELL IT BUT I DIDN'T SELL IT IN DECEMBER I WOULD HAVE HAD A 35% TAX ON THE PROFIT, AND BY WAITING UNTIL JANUARY 1st, IF I SELL IT TODAY, I HAVE A 21% TAX HIKE. SO I GET 79% OF THE PROFITS FOR BERKSHIRE THIS MONTH AND LAST MONTH I WOULD HAVE GOTTEN 65%.

QUICK: YOU KNOW, YOU HINTED AT THIS IN OCTOBER WHEN WE TALKED TO YOU AND SAID IF THE TAX RATE CHANGED, AND YOU WERE ONE OF THE ONES THAT WAS ACTUALLY BETTING THAT IT WOULD AT THAT POINT, WHICH WAS AGAINST CONVENTIONAL WISDOM, AS EARLY AS, I THINK IT WAS OCTOBER 3rd THE LAST TIME WE SAT DOWN WITH YOU, AND HINTED AT THIS WHOLE IDEA OF WHAT YOU WOULD BE POTENTIALLY SELLING OR NOT SELLING AS A RESULT. ARE YOU SELLING STOCKS NOW THAT --

BUFFETT: NET, WE'RE BUYING.

QUICK: NET, YOU'RE BUYING.

BUFFETT: YEAH. NET. I'VE LIVED UNDER 15 OF THE 44 PRESIDENTS OF THE UNITED STATES, AND I'VE BOUGHT UNDER EVERY SINGLE ONE OF THEM EXCEPT HOOVER. I WAS ONLY A TODDLER THEN, LESS THAN A YEAR. BUT, NO, WE'RE BASICALLY BUYERS OVER TIME, BECKY. THAT DOESN'T MEAN -- THERE COULD BE CONDITIONS UNDER WHICH WE'RE SELLERS, BUT THAT'S NOT -- FOR ONE THING, THE MONEY KEEPS COMING IN, YOU KNOW, SO WE BASICALLY KEEP BUYING.

QUICK: LET ME ASK SPECIFICALLY ON ONE STOCK, IBM, ARE YOU A BUYER OR A SELLER OF THAT? BECAUSE WE'VE TALKED WITH YOU IN THE PAST WHEN YOU WERE SELLING.

BUFFETT: YEAH. WELL, AROUND THE MIDDLE OF FEBRUARY WE HAVE TO REPORT WHAT WE DID IN THE FOURTH QUARTER. AND WELL, IT

WAS ADVANTAGEOUS IF YOU HAD A LOSS IN SHARES AND WE DID IN SOME, IBM, IT WAS ADVANTAGEOUS TO SELL LAST YEAR RATHER THAN THIS YEAR.

QUICK: SO DOES THAT MEAN YOU'RE NOT SELLING IBM THIS YEAR?

BUFFETT: WELL IT WOULD CERTAINLY MEAN THAT IF WE HAD HIGH COST IBM, WE WOULD HAVE SOLD IT LAST YEAR, AND IF WE HAD LOW COST, WE WOULD HAVE WAITED UNTIL THIS YEAR, AND WE HAD SOME OF BOTH.

QUICK: SO THAT SOUNDS LIKE YOU'RE SELLING ALL THE WAY AROUND.

BUFFETT: WELL, ON FEBRUARY 15 AT, YOU'LL BE THE FIRST TO KNOW. OR WHATEVER THAT DATE IS. IT'S MID FEBRUARY.

QUICK: I TRIED. I TRIED. BACK TO THE TAX LAW VERY QUICKLY, WHAT DOES IT MEAN IN TERMS OF JUST WHAT IT WILL BE ON COST OF BUSINESS. IS IT GOING TO MEAN BERKSHIRE EARNS A LOT MORE? ARE YOU GOING TO RAISE?

BUFFETT: WELL, DEPENDS ON THE BUSINESS. IF YOU ARE TALKING ABOUT REGULATING UTILITY BUSINESS, NONE OF IT FLOWS THROUGH US BECAUSE ALL OF IT GOES TO THE CUSTOMER, AND AS IT SHOULD. THEN IN SOME BUSINESSES IT WILL TEND TO GET COMPETED AWAY, AND IN OTHER BUSINESSES, IT WILL BE LESS LIKELY TO BE COMPETED AWAY. THERE'S A BIG DIFFERENCE IN HOW IT AFFECTS DIFFERENT KINDS OF BUSINESSES, AND YOU CAN'T TOTALLY—

QUICK: —ANTICIPATE IT.

BUFFETT: ANTICIPATE IT. EXACTLY. YOU KNOW THAT CERTAIN TYPES – IT TENDS TO GET COMPETED AWAY FAIRLY FAST. OTHER BUSINESSES—

QUICK: WHAT TYPES OF BUSINESSES DOES IT GET COMPETED AWAY?

BUFFETT: WELL IT'S THE – WELL IT'S THE ONE WHERE PEOPLE ARE LOOKING AT AFTER TAX RETURNS ON CAPITAL AND PRICING ACCORDINGLY – ACCORDINGLY. AND MAYBE WHERE THERE ARE SUPPLIERS TO IMPORTANT COMPANIES AND THOSE SUPPLIERS SAY, YOU KNOW, NOW YOU'RE ONLY PAYING 21% OF THE TAX, SO THEY WANT SOME OF THAT – THEY WANT A CUT OF IT. CAPITAL IS COMPETITIVE BUT IT'S MUCH MORE COMPETITIVE IN CERTAIN

INDUSTRIES THAN OTHERS. AND SOME, THERE WILL BE DECISIONS MADE WHERE THERE ARE – SOME PEOPLE MAKE THEIR DECISIONS BASED ON AFTER TAX RETURN ON CAPITAL AND THOSE WILL BE MADE ON MORE MARGINAL PROJECTS PRESUMABLY. THERE'S NOT A LOT OF THAT.

QUICK: I WOULD THINK IN THE RAILROADS IT'S A LITTLE MORE OF A SET IN STONE ISSUE BECAUSE YOU'RE NOT A MONOPOLY BUT IF PEOPLE WANT TO CONTINUE TO USE THOSE ROUTES –

BUFFETT: YEAH OUR COMPETITION IS TRUCKERS AND OTHER RAILROADS. I MEAN, BOTH. AND THE COST OF DIESEL FUEL IS MORE IMPORTANT. BUT THAT – IT ALL REMAINS TO BE SEEN ON THAT, BUT THEN IT CERTAINLY IS A SIGNIFICANT PLUS. AND IF YOU OWN THE KIND OF BUSINESS WHERE PEOPLE REALLY HAVE NO CHOICE BUT IT ISN'T REGULATED, I MEAN, IT WOULD BE REGULATED IN CASE OF UTILITY OR SOMETHING, YOUR AFTER TAX MARGINS ARE LIKELY TO WIDEN OUT. AND THEY'RE LIKELY TO WIDEN OUT FOR FOREIGN AND DOMESTIC.

QUICK: WHAT DOES THIS MEAN FOR THE AMERICAN ECONOMY OVERALL? WE TALKED ABOUT THE STOCK MARKET AND WHAT THIS MEANS. WHAT DO YOU THINK IT MEANS ON A BROADER BASIS?

BUFFETT: THAT'S THE BIG QUESTION WE'LL FIND OUT. I MEAN, WE'RE ESSENTIALLY CHANGING THE MIX. AND TO SOME EXTENT, WE'RE ADDING TO THE DECEFIT AT A TIME WHEN THE THE FED ACTUALLY WAS GOING TO BE SELLING, THOUGH NOT IN HUGE QUANTITIES. BEFORE WE ARE ADDING TO THE DECEFIT FOR YEARS, BUT THE FED WAS BUYING A LOT OF THE TREASURY ISSUANCE NET. SO THAT THE PURCHASING FROM THE PRIVATE SECTOR OF DEBT EARLIER NEEDED TO BE LESS THAN THE TREASURY WAS ACTUALLY RAISING BECAUSE THE FED WAS THERE BUYING. SO THEY TOOK THEIR BALANCE SHEET –

QUICK: WE'RE EFFECTIVELY TAKING OUR OWN.

BUFFETT: THEY WERE BUYING THEIR OWN STUFF. SO THEY TOOK -- THERE WAS \$3.5 TRILLION OR THEREABOUTS ADDED. I MEAN, I THINK IT'S ABOUT \$300 TRILLION, AND BASICALLY THAT WAS THE FED

FUNDING PARTS OF THE DEFICIT OF THE UNITED STATES GOVERNMENT. NOW IT WILL BE THE OTHER WAY AROUND. A LITTLE BIT AS THE FED -- THE FED IS GOING TO TAKE IT DOWN VERY GENTLY, BUT NEVERTHELESS, INSTEAD OF BEING A BUYER, THEY'LL BE A SELLER, AND AT THE SAME TIME THE TREASURY WILL BE RAISING MORE MONEY SO YOU'VE CHANGED THAT EQUATION. HOW THAT PLAYS OUT, I DON'T KNOW.

QUICK: NET-NET, I CAN'T IMAGINE THAT IT WILL HURT THE AMERICAN ECONOMY OR GDP AT LEAST OVER THE SHORT-TERM.

BUFFETT: IT'S HARD TO TELL THE ECONOMICS -- THAT'S THE ONE THING I'VE LEARNED. I DO NOT -- WE DO DON'T EVER TRY TO MAKE MONEY BY PREDICTING ECONOMICS. I MEAN, IT'S A TAX LAW CHANGE ACTUALLY CHANGES NUMBERS THAT YOU CAN SEE, BUT IT'S -- MACROSTUFF IS VERY HARD TO PREDICT. AND, YOU KNOW, YOU HAVE SEEN THAT IN THE YEARS WHEN PEOPLE COME ON AND TRY AND PREDICT WHAT THE ECONOMY IS GOING TO DO. IT'S -- CHARLIE AND I HAVE NEVER MADE A MARKETABLE SECURITY DECISION OR THE PURCHASE OF AN ENTIRE BUSINESS WHERE WE'VE TALKED AT ALL ABOUT MACROECONOMICS.

QUICK: NO BUT I WOULD GUESS IF ARE YOU PUTTING MONEY TO WORK IN THE MARKETS AND TRYING TO FIGURE IT OUT, THOSE MACRODECISIONS WOULD HAVE A BIG IMPACT YOU JUST SAID INTEREST RATES ACT AS GRAVITY THE TAX BILL WILL ADD SOME STIMULUS, AND CERTAINLY MAKES IT MORE VALUABLE TO OWN ANY SHARES.

BUFFETT: WELL YOU CHANGED THE EQUATION THERE I MEAN, THAT -- YOU HAVE ACTUALLY CHANGED WHO GETS THE VALUE -- WHO GETS THE EARNINGS OF AMERICAN CORPORATIONS IN A FAIRLY MAJOR WAY

QUICK: SO YOU MAY NOT BUY A COMPANY OR A BUSINESS AS A RESULT, BUT YOU MAY DECIDE TO ALLOCATE MORE MONEY INTO STOCKS.

BUFFETT: BUT YOU NEVER CAN DO ONE THING IN ECONOMICS. YOU KNOW, I MEAN, EVERYTHING YOU DO, ITS THE BUTTERFLY EFFECT. YOU KNOW SO YOU NEVER KNOW EXACTLY WHAT'S GOING TO HAPPEN WITH MOVES THAT WERE MADE.

QUICK: WOULD YOU HAVE TOLD THE SENATORS AND CONGRESSMAN VOTING ON THAT BILL TO VOTE FOR OR VOTE AGAINST IT?

BUFFETT I WOULD HAVE HAD A DIFFERENT BILL

QUICK: IF YOU DIDN'T HAVE A CHOICE OF A DIFFERENT BILL AND YOU WERE LOOKING AT LEAVING THINGS EXACTLY AS IT WAS OR LOWERING THE CORPORATE RATE –

BUFFETT: IF I DID IT AS A REPRESENTATIVE OF BERKSHIRE SHAREHOLDERS, I WOULD HAVE TO VOTE FOR IT. IVE GOT A MILLION SHAREHOLDERS THAT ARE PRETTY MUCH HAPPY ABOUT THE FACT IT HAPPENED, BUT I WOULD HAVE HAD A DIFFERENT BILL MYSELF.

QUICK: LET'S TALK ABOUT INTEREST RATES AGAIN AND JUST TALK ABOUT WHATS HAPPENING TODAY YOU CAN LOOK AT THE TEN-YEAR NOTE TOUCHING UP, GETTING 2.56% AND A LITTLE NORTH OF THAT THIS MORNING. THAT KICKED OFF EARLY THIS MORNING AFTER THE JAPANESE TEN-YEAR BOND STARTED CLIMBING AS WELL. WHEN I SAY CLIMBING, YOU HAVE TO LOOK AT THIS IN RELATIVE TERMS IT WAS 0.086% THIS MORNING WHEN I SAW IT BUT IT DID THAT BECAUSE THE YIELD MOVED UP BECAUSE THE JAPANESE CENTRAL BANK WAS EXPECTED TO NOT BE BUYING QUITE AS MUCH AS HAD EARLIER BEEN ANTICIPATED WHEN YOU START SEEING MOVES LIKE THAT, IT TELLS YOU WHAT?

BUFFETT: IT TELLS ME I DONT KNOW ANY MORE ABOUT INTEREST RATES THAN I DID FIVE YEARS AGO, TEN YEARS AGO. SYDNEY HOLDER WROTE A BOOK, HE WAS THE EXPERT ON IT AND WHEN YOU GET THROUGH THE BOOK, THERES NOBODY WHOSE PREDICTIONS ON INTEREST RATES I WOULD PAY ATTENTION TO, INCLUDING MINE EVEN INCLUDING CHARLIE INTEREST RATES ARE EXTRAORDINARILY – BEEN EXTRAORDINARILY LOW FOR A LONG, LONG TIME. THAT HAS -- THAT HAS ACTED TO BUOY THE STOCK MARKET VERY SIGNIFICANTLY. PEOPLE ORIGINALLY IN 2009 AND 2010 DIDNT THINK THEY WOULD BE AT THESE KIND OF LEVELS. NOW THEY WONDER IS THIS SORT OF PERMANENT? IT'S A VERY STRANGE SITUATION. THE FEDERAL RESERVE SAY OUR GOAL IS 2% INFLATION AND THEN THEY HAVE PEOPLE BUYING THE

TREASURY BILLS AT 1.5% AND THEY PAY TAX ON IT. THE GOVERNMENT HAS ANNOUNCED TO YOU THAT IT DOESN'T PAY TO SAVE. THEY SAY IF WE CAN RUN THINGS THE WAY WE WANT TO WE ARE GOING TO HAVE 2% INFLATION. IF YOU GET A NOMINAL RETURN OF 2.8 OR SOMETHING, YOU ARE GOING TO PAY INCOME TAX ON THAT. YOU ARE GOING TO HAVE NOTHING IN THE WAY OF MORE PURCHASING POWER BY DEFERRING CONSUMPTION TODAY WHY DO YOU DEFER CONSUMPTION YOU ARE HOPING TO HAVE MORE CONSUMPTION LATER ON THATS THE REASON FOR SAVING ESSENTIALLY THE FEDERAL RESERVE HAS NOW SAID FOR A FEW YEARS THAT WE'RE GOING TO TRY AND MAKE SURE YOU DONT HAVE ANY NET GAIN IN CONSUMPTION QUICK: SO WHAT COULD GET IN THE WAY AND MESS THINGS UP I MEAN, THAT SOUNDS LIKE A SURE BET FOR PUTTING MONEY IN EQUITIES AND PEOPLE HAVE TAKEN IT AS A CUE FOR YEARS AT THIS POINT.

BUFFETT: THAT'S WHY IVE SAID FOR A LONG TIME THAT EQUITIES WERE THE PLACE TO BE. I MEAN, THEYVE BEEN NO COMPARISON TO ME ITS JUST BEEN ABSURD TO SEE PENSION FUNDS AND THOSE PEOPLE IN THE EARLY TEENS OF THE CENTURY SAYING WE DONT HAVE 30% OR 40% BONDS THERES NO COMPARISON. A BOND THAT PAYS YOU 2% IS SELLING AT 50 TIMES EARNINGS, AND THE EARNINGS CAN'T GO UP AND THE GOVERNMENT HAS TOLD YOU WE WOULD LIKE TO TAKE THAT 2% AWAY FROM YOU BY DECREASING THE VALUE OF MONEY. THAT'S ABSURD TO OWN SOMETHING LIKE THAT YOU MAY HAVE TO OWN IT FOR LEGAL REASONS OR SOMETHING OF THE SORT, BUT TO MAKE THAT AS A VOLUNTARILY CHOICE IN THE LAST TEN YEARS AGAINST OWNING ASSETS HAS STRUCK ME AS ABSOLUTELY FOOLISH.

QUICK: SO WHAT CHANGES THAT EQUATION WHAT HAPPENS

BUFFETT: YOU HAVE HIGHER INTEREST RATES.

QUICK: HIGHER. YOU ARE NOT TALKING ABOUT 3% INTEREST RATES YOU ARE TALKING ABOUT 7% OR NORTH OF THAT.

BUFFETT: I DON'T KNOW WHAT IT WOULD BE BUT 3% IS A -- 3% -- YOU PAY 20% OR SOMETHING TAX ON THAT AS AN INDIVIDUAL NOW YOU

ARE DOWN TO 2.4% AND THE GOVERNMENT SAYS IT IS GOING TO TAKE 2% OF THAT AWAY FROM YOU BY CLIPPING AWAY THE PURCHASING POWER OF THAT MONEY

QUICK: YOU KNOW PEOPLE WHEN THEY LOOK AT ISSUES THAT COULD THROW THE STOCK MARKET INTO A TIZZY THEY WILL POINT TO GEO POLITICAL ISSUES MOST OF THE TIME MAYBE IT IS A TRADE WAR MAYBE IT IS AN ACTUAL WAR OR SOMETHING THAT BREAKS OUT WITH NORTH KOREA OR SOMETHING OF THE SORT. WHAT DO YOU THINK OF THOSE KINDS OF CONCERNS?

BUFFETT: WELL YOU HAVE GOT TO HAVE YOUR MONEY SOMEPLACE. SO IS THAT GOOD FOR BONDS. IN THE END YOU HAVE TO LOOK AT THE UNDERLYING STREAM OF CASH YOU'RE GOING TO GET OVER TIME, AND THAT DETERMINES WHAT YOU SHOULD PAY NOW. NOW, THE QUESTION IS HOW SURE ARE YOU OF GETTING THE CASH. NICE THING ABOUT A BOND IS YOU KNOW EXACTLY WHAT THE COUPON IS. IF YOU LOOK AT AMERICAN BUSINESS, IF YOU LOOK AT THE S&P 500, THEY'RE EARNING – THEY'RE EARNING WELL INTO THE MID-TEENS OR HIGHER. LET'S SAY THEY'RE EARNING 15% ON ASSETS EMPLOYED, AND THEY CONTINUE TO EARN THAT'S A 15% BOND. I MEAN, IN COMPARISON BETWEEN A 15% BOND AND 2.6 OR 3% DOESN'T REALLY MAKE VERY MUCH DIFFERENCE QUICK: RIGHT EVEN BEFORE YOU TALK ABOUT THE BIGGER PERCENT OF THOSE EARNINGS THAT YOU GET BECAUSE OF THE TAX BILL AND WHATEVER ELSE COMES ALONG WITH IT.

BUFFETT: NOW THEY INCREASED THE POTENTIAL FOR EARNINGS FOR BASICALLY AMERICAN BUSINESS AND AMERICAN BUSINESS WAS EARNING A HELL OF A LOT OF MONEY BEFORE.

QUICK: JOE HAS A QUESTION FROM BACK AT THE STUDIO TOO. JOE.

KERNEN: YOU KNOW I ALWAYS DO. HEY, ORACLE MAN GOOD TO SEE YOU. YOU KNOW I ALWAYS ASK YOU THE SAME QUESTION CAUSE INSURANCE IS IMPORTANT TO BERKSHIRE I MEAN, OBVIOUSLY. WE JUST HEARD THAT \$100 BILLION NUMBER YOU'RE VERY SAVVY. I LOVE THE WAY YOU DO THINGS INSURANCE IS SUCH A GREAT BUSINESS BECAUSE A LOT OF TIMES YOU CAN FIGURE OUT WHAT'S LIKELY TO

HAPPEN AND CHARGE MORE THAN YOU REALLY NEED BECAUSE THE THINGS THAT PEOPLE WORRY ABOUT PROBABLY AREN'T GOING TO HAPPEN SO IT IS JUST LIKE PRINTING MONEY. I KNOW YOU KNOW THIS AND THAT'S WHY YOU HAVE BEEN A GENIUS IN THAT FIELD FOR SO LONG. YOU REMEMBER 2005 WE HAD ABOUT 12 HURRICANES OR SOMETHING AND I REMEMBER RIGHT AFTERWARDS YOU WERE LIKE THIS, BECAUSE YOU KNEW EVERYONE WAS GOING TO PREDICT. THAT'S GOING TO BE EVERY YEAR. THEN FOR 12 YEARS YOU CHARGE THESE EXORBITANT RATES BECAUSE IT WAS GOING TO HAPPEN AGAIN, AND IT NEVER HAPPENED, AND BERKSHIRE HATHAWAY WENT UP FIVE FOLD OR SOMETHING BECAUSE OF THAT MY QUESTION IS WE JUST HAD THE WORST YEAR EVER FOR CATASTROPHIC LOSSES BOTH INSURED AND UNINSURED. IS THAT GOING TO BE THE NORM FROM HERE ON OUT, OR DO YOU THINK IT'S WITHIN THE RANGE OF STANDARD DEVIATIONS FOR LOSSES? DO YOU THINK IT GOES BACK DOWN? DO YOU NEED TO RAISE RATES?

BUFFETT: AS NEAR AS YOU CAN TELL, YOU'VE GOT PRETTY GOOD RECORDS BACK TO THE EARLY 1800s ON HURRICANES THAT HAVE HIT THE MAINLAND UNITED STATES IT LOOKS AWFULLY RANDOM IF YOU LOOK ALL THE WAY BACK TO 1830 OR 1840. IT'S TRUE THAT WE HAD THE LONGEST PERIOD HERE UP UNTIL LAST YEAR MOST CONSECUTIVE YEARS WITHOUT A HURRICANE HITTING THE MAIN LAND IN THE UNITED STATES. THAT CAME RIGHT AFTER KATRINA AND THE YEAR WHEN WE HAD HUGO AND I FORGET VARIOUS ONES.

KERNEN: RIGHT.

BUFFETT: IT APPEARS RANDOM, DOESN'T IT? INCIDENTALLY, WE DID NOT – WE WENT AWAY FROM INSURING WHAT WE CALL SUPER CATS— WE MOVED AWAY FROM IT AFTER KATRINA BECAUSE THE RATES KEPT JUST COMING DOWN, DOWN, DOWN, DOWN. WE JUST THOUGHT WE WERE NOT GETTING PAID ENOUGH. WE HAVE NOT BEEN IN THE SUPER CAT BUSINESS TO ANY DEGREE AT ALL IN RECENT YEARS. WE USED TO BE IN IT VERY BIG TIME WHEN WE THOUGHT THE RATES WERE MORE APPROPRIATE. WE THE RATES HAVE NOT BEEN HIGH.

KERNEN: YOU ARGUED AGAINST EVERY SHAREHOLDER. EVERY YEAR YOU GET SHAREHOLDER PROPOSALS THAT YOU GOT TO START, YOU KNOW, TAKING INTO ACCOUNT CLIMATE CHANGE YOU GOT TO SELL ALL YOUR FOSSIL FUEL HOLDINGS. YOU GOT TO DO ALL THAT YOU DONT GO FOR IT EVERY YEAR

BUFFETT: NO, BUT WE -- IT GOES ON THE BALLOT IT WILL BE ON THE BALLOT AGAIN THIS YEAR, AND SINCE WE NOW WEB CAST OUR MEETING AND WE GET LOTS OF VIEWERS AROUND THE WORLD, IM SURE WELL HAVE A LOT OF PEOPLE TO KEEP PUTTING -- I THINK WE HAVE TWO PROPOSALS ON THE BALLOT THIS YEAR. I EXPLAINED OUR POSITION ON IT A COUPLE OF YEARS AGO. THE BIG THING YOU NEED TO WORRY ABOUT IN THIS WORLD IS WEAPONS OF MASS DESTRUCTION DOESN'T MEAN YOU CAN'T WORRY ABOUT OTHER THINGS BUT WEAPONS OF MASS DESTRUCTION , THATS THE BIG WORRY ITS BEEN THE WORRY EVER SINCE AUGUST OF 1945

KERNEN: I AGREE FUKUSHIMA AND WHATEVER NUMBER IS ATTACHED TO IT THAT DOESNT GO AWAY FOR 500 YEARS MIGHT BE MORE OF A WORRY THAN CO2. I DON'T KNOW THAT'S JUST ME. MELISSA HAS --

BUFFETT: OKAY. I WOULD SAY THAT THERE WAS A LITTLE CATCH-UP IN SEPTEMBER WHEN WE HAD IRMA AND -- HARVEY AND --

KERNEN: YEAH. NO DOUBT.

BUFFETT: BUT WE WERE NOT INSURING SUPER CATS. WE HAD A FAIR AMOUNT OF EXPOSURE JUST GENERALLY, BUT NOT SUPER CATS.

KERNEN: I DIDN'T KNOW YOU WERE GOING TO GO ALL THE WAY BACK TO 1800 ON A 400 BILLION-YEAR-OLD PLANET I THOUGHT ALL WE COULD LOOK AT WAS THE LAST 15 YEARS. YOU'RE WHACKY.

BUFFETT: I CAN TELL YOU HOW MANY EARTHQUAKES HAVE BEEN IN CALIFORNIA OVER A 6.0 OR OVER IN THE LAST 100 YEARS TOO BUT IT DOESN'T TELL ME WHAT IS GOING TO HAPPEN TOMORROW.

KERNEN: YOU WERE THERE?

BUFFETT: THAT'S TRUE IF YOU WANT TO KNOW ANYTHING ABOUT THE CIVIL WAR OR ANYTHING LIKE THAT IM THE GUY TO COME TO.

LEE: HEY, WARREN, I HAVE A QUESTION ABOUT BITCOIN JAIME DIMON CALLED IT A FRAUD BACK IN OCTOBER YOU FOLLOWED UP WITH COMMENTS IN DECEMBER SAY YOU THOUGHT IT WAS A MIRAGE. JAIME DIMON YESTERDAY BACKED AWAY FROM THOSE COMMENTS SAYING THE BITCOIN IS A FRAUD HAVE YOU RETHOUGHT YOUR POSITION ON BITCOIN, AND HOW WOULD YOU FEEL IF SOME OF YOUR PORTFOLIO BANKS WANTED TO MAKE A MARKET IN BITCOIN, WANTED TO TRADE BITCOIN, WANTED TO MAKE A BUSINESS OUT OF BITCOIN TRADING?

BUFFETT: WE DON'T TELL THE BANKS IN THE PORTFOLIO ANYTHING ABOUT THEIR OPERATIONS BUT IN TERMS OF CRYPTO CURRENCIES GENERALLY I CAN SAY ALMOST WITH CERTAINTY THAT THEY WILL COME TO A BAD ENDING NOW, WHEN IT HAPPENS OR HOW OR ANYTHING ELSE, I DONT KNOW, BUT I KNOW THIS. IF I CAN BUY LONG-TERM PUTS, I COULD BUY A FIVE-YEAR PUT ON EVERY ONE OF THE CRYPTO CURRENCIES, I WOULD BE GLAD TO DO IT, BUT I WOULD NEVER SHORT A DIMES WORTH

LEE: HAVE YOU THOUGHT ABOUT TRADING THE FUTURES TO TAKE A NEGATIVE POSITION OF BITCOIN

BUFFETT: NO.

LEE: YOU WOULD NOT DO THAT?

BUFFETT: NO. THERE'S NO REASON. THERES NO REASON. I GET INTO ENOUGH TROUBLE WITH THINGS I THINK I KNOW SOMETHING ABOUT. WHY IN THE WORLD SHOULD I TAKE A LONG OR SHORT POSITION OF SOMETHING I DON'T KNOW ANYTHING ABOUT? WE DON'T HAVE TO KNOW WHAT COCOA BEANS ARE GOING TO DO OR CRYPTO CURRENCIES WE JUST HAVE TO FOCUS ON 8 OR 10 STOCKS THAT BUSINESSES BASICALLY THAT WE THINK ARE DECENT BUSINESSES BUT I THINK WHAT'S GOING ON I THINK IT WILL DEFINITELY COME TO A BAD ENDING YOU HAVE VIRTUALLY EVERYBODY -- I HAVE 11 SCHOOLS COMING ON FRIDAY THE QUESTIONS WILL BE ON BITCOIN, AND I WONT KNOW THE ANSWERS.

QUICK: ALTHOUGH, WHEN WE SAT DOWN, WARREN, YOU DID SAY I SHOULD HAVE ANNOUNCED WE WERE GETTING INVOLVED IN BITCOIN THIS MORNING.

BUFFETT: THATS TRUE TO -- THAT WOULD BE MUCH MORE INTERESTING TO THE AUDIENCE THAT WE WERE GOING TO ISSUE A WHOLE SERIES OF CRYPTO CURRENCIES TOMORROW BUT WE AREN'T BELIEVE ME AND WE DON'T OWN ANY WE DON'T SHORT ANY WE WILL NEVER HAVE A POSITION.

QUICK: LET ME ASK YOU A COUPLE OF QUESITONS VERY QUICKLY WE ARE GOING TO HAVE A CALL COMING IN FROM CHARLIE MUNGER IN JUST A FEW MINUTES. BEFORE WE GET TO THAT, I WANT TO RUN THROUGH A COUPLE OF STOCK ISSUES WITH YOU TOO. YOU ALREADY SPOKE ABOUT IBM, WHATEVER YOU WOULD OR WOULDN'T TELL US ABOUT THAT -- WHEN IT COMES TO APPLE, THERES A HUGE POSITION YOU ARE ONE OF THE TOP FIVE SHAREHOLDERS IN APPLE. THEY HAVE A BIG HOLIDAY SEASON FROM WHAT WE'VE BEEN SEEING, WHAT WE'VE BEEN WATCHING WITH SOME OF THE CHANNEL CHECKS AND BEYOND YOU STILL FEEL LIKE IT'S A GREAT CONSUMER PRODUCTS BUSINESS AT THIS POINT

BUFFETT: FROM ALL THE STUFF WE PUBLISHED, WE'VE ADDED TO OUR HOLDINGS CONSISTENTLY UP THROUGH ALL THE PUBLISHED REPORTS, AND WE'LL PUBLISH SOME MORE ON -- SEE, THE MARKET IS NOT YET SATURATED FOR IPHONES. I JUST WANT TO POINT THAT OUT. WHEN TIM COOK SENT ME A CHRISTMAS CARD AGAIN THIS YEAR SAYING HE WAS GOING TO SELL ME AN IPHONE THIS YEAR, WHEN I ACTUALLY BUY IT, ITS ALL OVER, FOLKS. THE LAST PERSON HAS BOUGHT IT

QUICK: A SAMSUNG FLIP PHONE THAT YOU STILL HAVE –

BUFFETT: YEAH.

QUICK: YOU'RE STILL POSITIVE ON IT YOU'RE GOING TO BE -- WHEN YOU BUY IT, IT'S JUMPING THE SHARK ESSENTIALLY?

BUFFETT: PARDON ME.

QUICK: WHEN YOU BUY A SMARTPHONE, IT'S JUMPING THE SHARK THAT'S THE END OF THE RUN?

BUFFETT: I DON'T KNOW. I, MAYBE I WILL BUY ONE LATE IN THE YEAR. HE KEEPS SENDING ME REMINDERS EVERY CHRISTMAS.

QUICK: JIM CRAMER WROTE IN TOO HE HAS A QUESTION. HE WANTS TO KNOW IF THERE IS A POINT WHERE YOU THINK GENERAL ELECTRIC SHARES REPRESENT VALUE.

BUFFETT: WELL, THERE HAS TO BE THERE ALWAYS IS FOR ALMOST ANY COMPANY. DIFFERENT PEOPLE WILL HAVE DIFFERENT VIEWS ON WHAT THE PRICE WOULD BE, BUT, I MEAN, IF YOU CAME TO ME AND SAID WE'LL SELL YOU THE WHOLE GENERAL ELECTRIC COMPANY AND X WAS THE RIGHT NUMBER, WE WOULD LIKE TO BUY IT IF WE BUY LITTLE PIECES IN THE MARKET, THAT'S THE WAY WE THINK ABOUT IT

QUICK: I THINK HE MAY HAVE BEEN SPECIFICALLY ASKING WHAT IS THAT PRICE TARGET IF YOU HAVE ONE

BUFFETT: YEAH. WELL, THAT WOULD DEPEND ALSO ON WHAT OTHER STOCKS WERE SELLING IN THE END MY JOB IS TO HAVE THE CAPITAL OF BERKSHIRE INVESTED IN BUSINESSES THAT WE THINK WE UNDERSTAND PRETTY WELL, AND THAT ARE AN ATTRACTIVE VALUATION. NOW, WE CAN'T MOVE AROUND IN BIG POSITIONS THAT EASILY. IT TAKES A PRETTY BIG DISPARITY FROM SOMETHING WE WANT TO SELL TO MOVE TO SOMETHING WE WANT TO BUY. GENERAL ELECTRIC IS A BIG STRONG COMPANY.

QUICK: HOW MUCH CASH DOES BERKSHIRE HAVE ON HAND RIGHT NOW

BUFFETT: WELL, WE HAVE SOMETHING A LITTLE OVER \$100 BILLION IT'S ALMOST ALL IN TREASURY BILLS. I THINK THERES ABOUT 1.7 TRILLION TREASURY BILLS IN THE WORLD. U.S. TREASURY BILLS. WE OWN 12% OF THEM WE ACTUALLY GET THE CALLS FROM DEALERS WHO NEED A BILL FOR THIS -- IF THEY NEED 200 MILLION APRIL 12th OR SOMETHING. THEY COME TO US WHERE.

QUICK: BECAUSE YOU HAVE IT SITTING AROUND IN THE COUCH CUSHIONS.

BUFFETT: YEAH. WE -- WE ARE USUALLY ON MONDAY WE'RE USUALLY BUYING ABOUT FOUR BILLION OR SO OF BILLS, BUT THEY'RE VERY SHORT, SO THEY ROLL WE HAVE TO BE A LITTLE CAREFUL BECAUSE

SOLOMON BROTHERS, WHICH WAS I WAS INVOLVED IN 25 YEARS AGO, THERES A RULE YOU CAN'T BUY MORE THAN 35% OF THE ISSUING THATS THE -- THAT RULE WAS CALLED THE MOZIER RULE BECAUSE THE GUY THERE SOLOMON LOVED BREAKING IT. HE WENT TO JAIL FOR A FEW MONTHS AFTERWARDS WE'RE VERY CAREFUL ABOUT HOW MANY WE BID FOR. WE NEVER -- WE DONT OWN COMMERCIAL PAPER WE DONT COUNT ON BANK LINES WE DONT DO ANY OF THAT. WHEN 2008, 2009 COMES ALONG, WE WANT TO HAVE SHORT BILLS IF THE ONLY THING WE BUY FOR SHORT BILLS IS LIQUIDITY.

QUICK: YOU'VE SAID THAT YOU LIKE TO HAVE 25 BILLION IN HAND, SO THAT LEAVES \$80 BILLION FOR ACQUISITIONS. ANYTHING YOU HAVE YOUR SIGHTS SET ON RIGHT NOW?

BUFFETT: NO, BUT I WOULD LIKE TO. YEAH.

QUICK: ON THAT NOTE, LET'S BRING IN RIGHT NOW CHARLIE MUNGER, THE VICE CHAIRMAN OF BERKSHIRE HATHAWAY, WHO IS JOINING US ON THE SQUAWK NEWS LINE FROM CALIFORNIA AT THE VERY EARLY HOUR OF 5:45 A.M. CALIFORNIA TIME. CHARLIE, I WANT TO THANK YOU FOR JOINING US TODAY AND CALLING IN.

CHARLIE MUNGER: WELL, I'M GLAD TO DO IT.

QUICK: YOU ARE WITH US THIS MORNING BECAUSE OF THE BIG NEWS AT BERKSHIRE HATHAWAY. THE ANNOUNCEMENT THAT BOTH GREG ABEL AND AJIT JAIN HAVE BEEN NAMED TO VICE CHAIRMEN OF BERKSHIRE HATHAWAY AS WELL. AS THE FIRST VICE CHAIRMAN OF BERKSHIRE WHO IS BY THE WAY, STAYING IN THAT POSITION, WHAT DO YOU THINK ABOUT THIS? WHAT CAN YOU TELL US ABOUT GREG AND AJIT AND WHAT YOU THINK ABOUT THEM BEING PUSHED INTO THESE POSITIONS – PROMOTED TO THESE POSITIONS?

MUNGER: WELL, I THINK THIS IS A VERY GOOD IDEA, AND ALL OF THE BERKSHIRE SHAREHOLDERS SHOULD BE VERY HAPPY ABOUT IT. YOU CAN HARDLY FIND TWO MORE QUALIFIED PEOPLE ON EARTH TO BE PROMOTED TO MORE RECOGNITION AND SO FORTH. AND ONE IS ACTUALLY GOING TO DEVOLVE A LITTLE MORE POWER IN SOME

DIRECTIONS. AND THESE PEOPLE DO SOME THINGS BETTER THAN WARREN DOES.

BUFFETT: A LOT BETTER.

MUNGER: IT'S A HUGE PLUS FOR BERKSHIRE TO DO IT AND IT'S A DESERVED RECOGNITION COMING TO PEOPLE WHO SHOULD GET MORE RECOGNITION. SO OF COURSE I LIKE IT.

QUICK: YOU SAID THAT YOU THINK IT'S A GREAT IDEA. WARREN TOLD US JUST A LITTLE BIT AGO THAT IT WAS ACTUALLY YOUR IDEA WHEN HE CAME TO YOU AND MENTIONED ALL OF THIS. THAT YOU WERE THE ONE WHO CAME UP WITH THE IDEA.

MUNGER: YEAH, WELL I DON'T MIND A LITTLE PECULIARITY. YOU KNOW, THREE VICE CHAIRMEN LOOKS PECULIAR. BUT BERKSHIRE HAS ALWAYS LOOKED PECULIAR AND IT'S DONE BETTER THAN –

BUFFETT: YEAH, 94 YEAR OLDS.

QUICK: CHARLIE, WE HAVE BEEN TALKING WITH WARREN JUST ABOUT THE FUTURE, WHAT YOU SEE COMING, WHAT YOU SEE HAPPENING, AND WE'VE POINTED OUT TO WARREN THAT FOR A LONG TIME PEOPLE HAVE BEEN PUSHING FOR A SUCCESSION PLAN BECAUSE HE IS 87. YOU JUST TURNED 94, I FORGOT THAT UNTIL A COUPLE OF HOURS AGO. I WAS STILL THINKING YOU WERE 93. YOU JUST TURNED 94, SO WHAT DO YOU SEE IN THE FUTURE? AND JUST TALK ABOUT YOUR INVOLVEMENT.

MUNGER: WELL, A BUNCH – DEMONSTRATE TO THE SHAREHOLDERS, THEY PROBABLY GOT SEVEN OR MORE GOOD YEARS COMING OUT OF WARREN.

QUICK: AND HOW MANY MORE GOOD YEARS COMING OUT OF YOU, CHARLIE?

MUNGER: WELL, NOT VERY MANY. I HAVE TO FACE REALITY. BUT BERKSHIRE IS GOOD AT REALITY RECOGNITION.

QUICK: CAN YOU TALK TO US A LITTLE BIT ABOUT THE MARKETS? WE'VE JUST – I'M SORRY, GO AHEAD, SIR.

MUNGER: WELL, SHAREHOLDER – WE SHOULD PROBABLY GO ON TO SOME DIFFERENT SUBJECT.

QUICK: LET'S TALK A LITTLE BIT ABOUT THE BROADER MARKETS, TOO, BECAUSE YOU ALWAYS HAVE SOME BIG THOUGHTS ABOUT WHAT YOU SEE OUT THERE. WE'VE BEEN TALKING ABOUT SHARE PRICES AND WHETHER SHARE PRICES LOOK EXPENSIVE OR NOT HERE. WHAT DO YOU THINK WHEN YOU LOOK AT THE STOCK MARKET AND SEE NEW RECORDS SET ALMOST EVERY DAY AND JUST FOR THE BEGINNING OF THIS YEAR, THE STRONGEST START FOR THE S&P SINCE 1987.

MUNGER: WELL, I DON'T THINK SHARE PRICES ARE CRAZY. YOU KNOW, WHERE BONDS STILL YIELD LESS THAN 3%.

QUICK: ARE THERE THINGS THAT CONCERN YOU WHEN YOU LOOK AT THE MARKETS BECAUSE IT'S PART OF WHAT WE GET ALL THE TIME. PROCRASTINATORS SAYING, WELL THIS COULD BE A BIG ISSUE DOWN THE ROAD.

MUNGER: YEAH, THERE ARE ALWAYS BUBBLES – YOU KNOW GOING TO END BADLY.

QUICK: ARE YOU TALKING ABOUT BITCOIN?

MUNGER: NO, I'M TALKING – YEAH SURE. AND VENTURE CAPITAL, TOO.

QUICK: I'M SORRY, VENTURE CAPITAL?

MUNGER: YEAH, THERE ARE BUBBLES THERE.

BUFFETT: YEAH.

QUICK: WHAT DO YOU SEE IN VENTURE CAPITAL THAT CONCERNS YOU?

MUNGER: BUBBLES. TOO MUCH MONEY.

QUICK: AS MEASURED HOW? AND IS THIS JUST SOMETHING THAT YOU THINK THAT THE ARENA ITSELF HAS GOTTEN TOO BIG?

MUNGER: WELL, THERE ARE ALWAYS THESE EXCESSES AND BUBBLES. THEY'RE JUST – WE HAVE DIFFERENT BUBBLES AT DIFFERENT TIMES. THINK OF THE BUBBLE BACK IN 2000. IN THAT YEAR, THEY COULD HAVE TAKEN \$50 BILLION INTO A BUSHEL BASKET AND BURNED IT AND IT WOULD HAVE GOTTEN THE SAME RESULTS.

QUICK: WHAT IN PARTICULAR STARTED YOU THINKING ABOUT VENTURE CAPITAL? IS THAT SOMETHING YOU'VE JUST THOUGHT IN THE LAST YEAR OR LONGER?

MUNGER: WELL, WARREN AND I THINK ABOUT EVERYTHING THAT IS GOING ON. MOSTLY WE JUST STAY AWAY FROM IT. WE DON'T –

QUICK: SO WHAT DO YOU LIKE RIGHT NOW?

MUNGER: WELL, I ACTUALLY LIKE THIS TAX REDUCTION THAT BERKSHIRE HAS GOTTEN. I'M AN UNABASHED APPRECIATOR.

QUICK: WHAT DO YOU THINK ABOUT THE TAX PLAN OVERALL? THIS IS SOMETHING YOU WOULD HAVE VOTED FOR?

MUNGER: WELL, I WOULD BE MORE LIKELY TO VOTE FOR IT THAN WARREN.

QUICK: WHAT DO YOU THINK THE BROADER IMPLICATIONS ARE, WHAT THIS MEANS FOR CORPORATE AMERICA, WHAT THIS MEANS FOR THE MARKETS AND WHAT IT MEANS FOR THE ECONOMY?

MUNGER: I THINK THERE'S A CHANCE THAT IT MAY WORK QUITE WELL.

QUICK: YOU'RE TALKING –

MUNGER: IN INDIA, WHICH IS A VERY POOR NATION, THE CAPITAL GAINS TAX IS ZERO AND THE INCOME TAX ON DIVIDENDS IS ZERO AND REALLY POOR NATION. THAT SEEMS JUST INCONCEIVABLE. AND THE RICH IN INDIA ARE VERY RICH. THAT IS REALLY PECULIAR, IT'S A LOT MORE PECULIAR THAN THE UNITED STATES. AND I'M NOT AT ALL SURE THAT INDIA IS WRONG IS DOING WHAT IT'S DOING.

QUICK: BECAUSE?

MUNGER BECAUSE I THINK THEIR ECONOMY MAY GROW BETTER DOING WHAT THEY ARE DOING THAN IT WOULD IF THEY WERE LESS FRIENDLY TO THEIR -- TO THE PEOPLE THAT INVEST THE MONEY.

QUICK: WHAT DO YOU THINK HAPPENS TO OUR ECONOMIC GROWTH? THIS IS THE BIG QUESTION IN ALL OF THIS. DO YOU THINK GDP HERE WILL SEE BIG GAINS BECAUSE OF THE TAX CUT?

MUNGER: NO. I THINK THE PEOPLE THAT ARE SURE IT WON'T WORK ARE PROBABLY – SHOULDN'T BE QUITE SO SURE.

QUICK: WARREN, WHAT DO YOU SAY TO THAT?

BUFFETT: WELL, I AGREE WITH HIM ON THAT. I THINK IT'S -- PREDICTING WHAT THE ECONOMY IS GONNA DO, WHEN I WENT TO COLOMBIA, I TOOK A COURSE IN ECONOMETRICS AND THEY THOUGHT

THEY WERE GETTING THE ANSWER. YOU HAVE NOT BEEN ABLE TO MAKE MONEY IN THE STOCK MARKET OR EVEN MAKE GREAT DECISIONS IN BUSINESS BY LISTENING TO ECONOMISTS.

QUICK: YOU KNOW, WARREN, YOU AND CHARLIE BOTH ARE ALLOCATORS WHO LOOK AND TAKE BERKSHIRE'S MONEY AND TRY TO FIGURE OUT THE BEST PLACE TO BE PUTTING THOSE IN THE MARKET. CHARLIE, WE'VE SPOKEN WITH WARREN A LITTLE BIT ABOUT WHAT HE LIKES AND DOESN'T LIKE. WHEN YOU LOOK AROUND AT THE STOCK MARKET, ARE THERE STOCKS, ARE THERE SECTORS THAT YOU THINK ARE REALLY INTERESTING PLACES TO BE?

BUFFETT: WELL, OBVIOUSLY, STOCKS ARE VALUED HIGHER THAN THEY WERE A LONG TIME AGO AND IT'S HARDER TO MAKE A LOT OF MONEY IN THE STOCK MARKET THAT SELLS AT 20 TIMES EARNINGS THAN ONE THAT SELLS AT 15. AND SO -- BUT THAT DOES NOT MEAN THAT YOU SHOULD PUT ALL OF YOUR MONEY IN LONG TERM BONDS AT 2 OR 3%. I AGREE WITH WARREN TOTALLY ON THIS STUFF. I THINK YOU'RE -- THE RIGHT ANSWER FOR INVESTORS, A LOT OF DEFERRED GRATIFICATION AND BEING WELL TO SUFFER A FAIR AMOUNT OF AGONY BY JUST RIDING OUT -- HAS US BUYING EQUITIES AND RIDING OUT THE DECLINES.

QUICK: I THINK JOE HAS A QUESTION FOR YOU AS WELL, CHARLIE.

KERNEN: WILLING TO TRY. WE'VE GOT DELAYS FROM HERE TO YOU AND DELAYS ON THE PHONE AND EVERYTHING ELSE. SO JUST PEOPLE CAN BEAR WITH US, THAT'S WHAT WE'RE DEALING WITH. BUT CHARLIE, YOU SEEM TO HAVE A REALLY GOOD GRASP AS FAR AS I'M CONCERNED OF TAX POLICY AND THE ROLE OF GOVERNMENT AND THE PRIVATE SECTOR, AND I WAS JUST WONDERING, WARREN IS QUITE A BIT YOUNGER THAN YOU. WHEN PEOPLE ARE YOUNG, THEY ARE LIKE THAT, MORE IDEALISTIC. AND DO YOU THINK THAT EVENTUALLY AS HE GROWS UP, HE'LL ADHERE TO YOUR TAX POLICY OR YOU'RE THINKING MORE OR IS HE JUST HOPELESS? WHERE DO YOU COME DOWN ON THAT? HE'S GOT -- MAYBE HE CAN FIGURE IT OUT.

MUNGER: WE DON'T HAVE TO AGREE PERFECTLY ON EVERYTHING. IT'S PROBABLY BETTER IF WE DON'T.

KERNEN: I GUESS SO, BUT I'M JUST -- USUALLY WITH AGE COMES SORT OF THE REALIZATION THAT MAYBE LESS IS MORE IN TERMS OF -- WARREN, IS THERE ANY HOPE? YOU'VE GOT A FEW YEARS WHERE YOU HAVE THE IDEA ABOUT CAPITAL GAINS AND LOWER TAX RATES FOR CORPORATIONS OR ARE YOU HOPELESS?

BUFFETT: I – I CAMPAIGNED FOR WILLKIE IN 1940. WILLKIE AND MCNARY AND I WAS HEAD OF THE YOUNG REPUBLICANS CLUB AT THE UNIVERSITY OF PENNSYLVANIA IN 1948. SO—

KERNEN: YOU WENT THE REVERSE. YOU WENT BACKWARDS.

BUFFETT: YEAH, I'M A TIME REVERSAL MACHINE.

MUNGER: WELL, I AM TOO. I VOTED FOR KENNEDY AND – I CHANGED TOO. WE'RE COMING TOGETHER. IT JUST TAKES MORE TIME THAN LIFE IS GOING TO GIVE US.

KERNEN: KENNEDY WAS A TAX CUTTER.

MUNGER: YEAH. BY THE WAY, I REALLY LIKE THAT, WHEN HE DID IT.

QUICK: CHARLIE, YOU MENTIONED BROADLY THAT STOCKS ARE THE PLACE TO BE NOT BONDS, BUT WHEN YOU LOOK PARTICULARLY, ANY STOCKS THAT HAVE CAUGHT YOUR EYE RECENTLY OR ANYTHING YOU THINK WOULD BE WORTH POINTING OUT?

MUNGER: WELL, I DON'T WANT TO GET INTO TALKING ABOUT SPECIFIC STOCKS.

QUICK: TRIED. LET'S TALK ABOUT OTHER BUBBLES THEN. IF YOU THINK PRIVATE EQUITY OR I'M SORRY, VENTURE CAPITAL IS POTENTIALLY A PLACE WHERE YOU SEE BUBBLES –

MUNGER: AND BITCOIN AND THE OTHER CRYPTOCURRENCIES ARE ALSO BUBBLES.

QUICK: AND WHAT TELLS YOU THAT? I'M JUST THINKING OF THE MILLENNIALS THE YOUNG INVESTORS WHO GET SO EXCITED ABOUT SOMETHING LIKE THIS. WHAT WOULD YOU TELL THEM? WHAT WOULD YOUR MESSAGE BE?

MUNGER: WELL THEY'RE EXCITED BECAUSE THINGS ARE GOING UP AT THE MOMENT AND IT SOUNDS VAGUELY MODERN AND I THINK I'M SURE THE COMPUTER SCIENCE INVOLVED IS DIFFICULT AND INTERESTING. SO YOU CAN UNDERSTAND WHERE THEY GET EXCITED. BUT I'M NOT EXCITED.

BUFFETT: IF YOU'RE BUYING SOMETHING –

MUNGER: AND GO ON SOMEWHERE ELSE.

BUFFETT: IF YOU'RE BUYING SOMETHING BECAUSE IT WENT UP YESTERDAY OR LAST WEEK, THAT IS NOT A GOOD REASON FOR BUYING ANYTHING IT WILL GET YOU IN TROUBLE OVER TIME.

QUICK: YESTERDAY BILL MILLER WAS ON CNBC AND HE TALKED A LITTLE BIT ABOUT WHAT HE SEES HAPPENING HE SAYS THERE'S A POTENTIAL HE THINKS FOR A MARKET MELT-UP. HE POINTED BACK TO WHAT HAPPENED IN 2013 WHERE YOU SAW 30% PLUS GAINS IN THE MARKET AND SAID THAT HE WOULD THINK THAT IS MORE LIKELY IF THE 10-YEAR GETS CLOSER TO 3% I DIDN'T QUITE UNDERSTAND OR FOLLOW THAT BUT WHAT DO YOU THINK ABOUT THAT POTENTIAL?

BUFFETT: I THINK IT'S POINTLESS THAT PEOPLE -- IF THEY OWN BONDS, THEIR BONDS WOULD BE GOING DOWN AS RATES GO UP.

QUICK: THEY WOULD BE LOSING MONEY.

BUFFETT: THERE'S NO QUESTION THAT MARKETS HAVE MOMENTUM. AND THAT WHEN THERE IS ENOUGH MOMENTUM, IT TAKES OVER EVERYTHING, I MEAN, WHEN YOU -- THAT'S HOW YOU GET BUBBLES BEN GRAHAM USED TO SAY YOU GET IN MORE TROUBLE WITH A GOOD IDEA THAN A BAD IDEA BECAUSE THE GOOD IDEA ORIGINALLY HAD THE IDEA THAT STOCKS WERE CHEAPER THAN BONDS GENERALLY, AFTER A WHILE, THE VERY ACTION OF THE STOCKS BECOMES MORE IMPORTANT THAN THE FUNDAMENTAL REASONS AND THE FUNDAMENTAL REASONS DISAPPEAR AND PEOPLE BUY SOMETHING BECAUSE IT'S GOING UP. WHEN PEOPLE BUY SOMETHING BECAUSE IT'S GONE UP THERE'S NO TELLING HOW FAR IT WILL GO BUT YOU CAN BE PRETTY SURE THERE WILL BE A BAD ENDING.

QUICK: CHARLIE ANYTHING TO YOU THAT REALLY JUMPS OUT IN THE MARKETS AND IN THE NEWS THESE DAYS? YOU'VE BEEN WATCHING THIS A LONG TIME IS THERE ANYTHING YOU THINK MAY BE DIFFERENT THIS TIME AROUND?

MUNGER: WELL, THE WHOLE SITUATION IS QUITE WEIRD. WHOEVER WOULD HAVE GUESSED THAT YOU COULD HAVE 20 YEARS OF REAL INTEREST RATES AT ZERO A LOT OF DIFFERENT ADVANCED NATIONS. WHO WOULD HAVE GUESSED WE COULD PRINT AS MUCH MONEY AS WE DID AND HAVE AS LOW INFLATION AS WE DID. MY ATTITUDE TOWARDS THE ECONOMIC SITUATION HAS ALWAYS BEEN ONE OF SKEPTICISM I DON'T THINK ANY OF THESE PEOPLE KNOW WHAT THE HELL THEY ARE DOING.

QUICK: ANY OF THESE PEOPLE BEING WHO?

MUNGER: ECONOMICS PROFESSION. THEY'VE BEEN -- THEYVE BEEN CONFIDENT IN VARIOUS FORMULAS BUT ECONOMICS IS NOT PHYSICS THE SAME FORMULA THAT WORKS IN ONE DECADE DOESN'T WORK IN THE NEXT ECONOMICS IS A DIFFICULT SUBJECT. AND A LOT OF OVER CONFIDENCE HAS BEEN REMOVED FROM THE ECONOMICS PROFESSION OVER THE LAST 20 YEARS. THEY'VE BEEN REALLY SURPRISED.

QUICK: AND WARREN, YOUR COMMENT?

BUFFETT: WELL, I'M GOING TO POINT OUT, THE NATIONAL DEBT NOW IS 1,000 TIMES WHAT IT WAS WHEN I WAS BORN AND NOW IF YOU TOLD MY PARENTS OR ANYTHING, MY DAD IN THE WAITING ROOM THAT THE NATIONAL DEBT WOULD GO UP 1,000 TIMES DURING HIS SONS LIFETIME, HE WOULD HAVE SAID, EVERYTHING IS GOING TO TURN INTO PUMPKINS AND MICE AND OF COURSE GDP AND REAL TERMS IN SIX TIMES PER CAPITAL WHAT IT WAS THEN AND EVERYTHING. IT'S HARD TO GET DOGMATIC IN ECONOMIC MATTERS PEOPLE THAT -- I WOULD SAY THAT THE -- JUST THE WHOLE EMPHASIS ON THE DEBT GOING UP DURING MY LIFETIME HAS BEEN WAY OFF THE MARK AND I'VE BEEN WAY OFF THE MARK WHEN I WAS BACK IN MY YOUNG REPUBLICAN DAYS, I WAS GOING AROUND SAYING ANOTHER DOLLAR OF NATIONAL

DEBT WAS LIKELY TO THREATEN OUR FUTURE OR SOMETHING OF THE SORT. YOU DON'T WANT TO GET DOGMATTIC IN ECONOMICS.
QUICK: WELL, WARREN, WANT TO THANK YOU VERY MUCH FOR JOINING US TODAY. CHARLIE, THANK YOU FOR CALLING IN. IT'S A PLEASURE TALKING TO BOTH OF YOU WE TRULY APPRECIATE YOUR TIME AND JOE, WE'LL SEND IT BACK OVER TO YOU.

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Some of our articles that have significant tie-ins to manufactured housing, Warren Buffett, and Berkshire Hathaway owned brands.

<http://www.MHProNews.com/blogs/daily-business-news/warren-buffett-the-moat-manufactured-housing-berkshire-hathaway-clayton-homes-21st-mortgage-vanderbilt-wells-fargo-nai/>

<http://MHProNews.com/blogs/tonykovach/manufactured-housing-institute-mhi-gives-written-responses-part-of-a-rigged-corrupt-system/>

<http://www.MHProNews.com/blogs/daily-business-news/duty-to-serve-complete-waste-of-time-per-tim-williams-ceo-21st-mortgage-potus-trump-warren-buffett-insight/>

<http://www.mhpronews.com/blogs/daily-business-news/go-big-or-go-home-hoya-capital-alpha-report-wakeup-manufactured-home-sellers-communities-producers/>

<http://www.MHProNews.com/blogs/daily-business-news/documented-conflict-between-21st-mortgage-ceo-tim-williams-mhi-chair-and-warren-buffett-chairman-of-berkshire-hathaway/>

<http://www.MHProNews.com/blogs/daily-business-news/killing-off-100s-of-independent-manufactured-home-retailers-production-companies-tim-williams-21st-mortgage-smoking-gun-document-2/>

<http://www.MHProNews.com/blogs/daily-business-news/perverse-warren-buffett-dodd-frank-cfpb-manufactured-housing-loans-independent-businesses-fact-check/>

<http://www.MHProNews.com/blogs/daily-business-news/gses-duty-to-serve-mh-rigged-benefits-21st-vmf-clayton-buffetts-berkshire-harming-consumers-independents-per-mh-ceo-calls-for-congressional-investigation/>

<http://www.mhpronews.com/industry-news/industry-in-focus/is-tim-williams-21st-mortgage-ceo-mhi-chair-at-odds-with-berkshire-hathaway-chairman-warren-buffett>

<http://www.MHProNews.com/blogs/daily-business-news/what-the-hell-the-audacity-of-hope-obama-trump-presidential-promises-kept-mh/>

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<http://MHProNews.com/blogs/tonykovach/self-evident-truths-america-investments-and-manufactured-housing/>

<http://www.MHProNews.com/blogs/daily-business-news/manufactured-housing-institute-vp-revealed-important-truths-on-mhis-lobbying-agenda/>

<http://www.MHProNews.com/blogs/daily-business-news/who-will-replace-warren-buffett-at-berkshire-hathaway-expert-insights-video-manufactured-home-industry-outlook/>

<http://www.MHProNews.com/blogs/daily-business-news/lawsuits-for-triple-damages-anti-trust-anti-monopoly-law-manufactured-housing-and-you/>

<http://www.mhmarketingsalesmanagement.com/blogs/daily-business-news/manufactured-housing-institute-mhi-shifts-on-doe-regulatory-rule-report-analysis/>

<http://www.mhmarketingsalesmanagement.com/blogs/daily-business-news/nahb-report-high-cost-of-regulations-impact-housing-and-manufactured-housing/>

From video, notes...

About 21 Minutes in, speaks about Clayton Homes, from 5000 to 16000 employees since Buffett bought them. Buffett's hands off, depends on management. Manufactured homes.

Starting about 25 minutes, discussion about Wells Fargo, which includes manufactured home lending. **"You want the people who are responsible to pay."** Claw backs, Warren Buffett on corporate responsibility. **"Make penalties such as it discourages others..."** Once you find out about a systematic problem, you have to get it out, get it fixed, get it over.



- ["Diversion, Distraction or Destruction — And Time to Raise the Red Flag?"](#)
- [After Dithering Ten Years, FHFA, Fannie Mae and Freddie Mac Final DTS Plans Fail Consumers and Industry](#)

- [After Persistent MHARR Push-Back, DOE Proposed Manufactured Housing Energy Rule Deemed "Inactive"](#)
- [MHARR Releases Study Recommending Independent Collective Representation for Post-Production Sector](#)
- ["Time to Enforce the Law on Federal Preemption"](#)