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FULL TRANSCRIPT: BERKSHIRE HATHAWAY CHAIRMAN & CEO WARREN BUFFETT SPEAKS WITH CNBC'S BECKY QUICK ON "SQUAWK BOX" TODAY

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Following is the unofficial transcript of a CNBC interview with Berkshire Hathaway Chairman & CEO Warren Buffett on CNBC's "Squawk Box" (M-F, 6AM-9AM ET) today, Wednesday, April 12th. CNBC's Becky Quick also interviewed Berkshire Hathaway Vice Chairman of Non-Insurance Operations Greg Abel during the 6am ET hour.

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BECKY QUICK: Well, Andrew, good morning. It's great to see you. Joe, it's great to see you. And, yes, we are here with two very special guests this morning, Warren Buffett and Greg Abel, both of Berkshire Hathaway. And they're in Japan – maybe the last place you would have expected to find Warren Buffett. He's been here since Monday and they've been busy. They've been up to a lot. But, gentlemen, welcome. It's great to see both of you.

GREG ABEL: Great to be here. Thank you—

WARREN BUFFETT: We've had a good time.

BECKY QUICK: All right, so let's talk, first of all I mean, I'll just lay this out for everybody. We have a lot to get to. We're going to talk to them about everything business related – the economy, the Fed, what's happening with the banking system – but we really want to start with why you're here in Japan-- why this trip is happening. Warren, you've spoken to a couple of outlets over the last couple of days just about the trading houses that you've purchased. Those are the people

But why did this trip happen, and why did those investments happen to begin with?

WARREN BUFFETT: Well, the investments began maybe close to four years ago, and I was looking at company after company, as I do every day. And I just thought these were big companies. They were companies that I generally understood what they did. Somewhat similar to Berkshire in that they owned lots of different interests and they were selling at what I felt was a ridiculous price, particularly the price compared to the interest rates prevailing at that time. And so, I started buying all five of the five largest trading companies and by my 90th birthday, August 30th of 2000 – whatever it was –

BECKY QUICK: '20. 2020—

WARREN BUFFETT: Yeah, yeah. And we had bought just somewhat over 5% of each company, and we were buying identical amounts. So, we announced at that time that we bought this 5% interest in each of the five. I wrote a letter to the CEOs of each of the companies saying the same thing – that we would never buy – Berkshire would never buy more than 9.9% without their consent, and that was my word. It was Berkshire Hathaway's word. And they all welcomed us in, and their results have exceeded our expectations since we purchased the group. I think their dividends, on average, have gone up 70% or something like that. And we now own 7.4% of each of the companies, and I just – Greg and I together, we wanted to come over and talk to them. And so, we got on a NetJets plane and plug, and flew over, and we have had a terrific time meeting each of the five sequentially over the last two days. And it's been fascinating, and we feel even better about – we couldn't feel better about the investment. And over that time, we've sold periodically yen-denominated bonds, so more or less – we don't do it precisely, but we've insulated ourselves from exchange rate changes. So, it's worked out very well so far, but we'll be in these stocks ten, 20 years. I mean, we weren't buying with the idea to next week, next month, next year. But we have had revelations about each of the companies that well, Greg and I are just fascinated by it, right?

BECKY QUICK: Was it worth the trip?

GREG ABEL: Absolutely. It's been a great trip. Don't you think, Warren? I mean, they've been exceptional in how they've communicated both with their performance but just their approach to business.

BECKY QUICK: What'd you learn since you've been here?

he thing that stands out very quickly to us is they came to the meetings tionship and strengthen it. So, they understand we've invested in their companies, but from the very get-go, when we start the conversations with them, they come each with their own story, and it's around building trust in that relationship with them.

BECKY QUICK: Meaning what, that there are other potential deals that you all could do together?

GREG ABEL: We've clearly made it, each time we've met with them, we said, we very much like the core investment, but to the extent they can identify an incremental opportunity that we could do with any of the five companies, we would very much evaluate it quickly. And Warren highlighted, the bigger the better, and that-- he'll answer the phone on the first ring.

WARREN BUFFETT: And we'll never run out of money. I mean, they can call us anytime, and maybe what they have interests us, it may not. But they'll have an answer, you know, bingo. And if we make a deal, the money will be on the way, and we look forward to it. And I'm just astounded at how they – they're all different and they're all the same at the same time. I mean, we've learned about five different individual companies, but it was not exactly what we expected. It was better than we expected in every respect.

BECKY QUICK: People look at this and say, "Okay, Warren Buffett is putting his stamp of approval on investment in Japan," basically. Is that an accurate read?

WARREN BUFFETT: Well, yeah, it's an accurate read, but it was an accurate read a couple years ago, too. I mean, I was confounded by the fact that we could buy into these companies and, in effect, have an earnings yield of maybe 14% or something like that with dividends that would grow, that they actually grew 70% during that time. And the people were investing their money in a quarter of a percent or nothing. And a quarter percent, if they put it out for many years, wasn't going to grow, and the 14% was more likely to grow than not. And if that didn't look like something sensible to me, you know, that's as easy as it gets. But it's turned out to be better than I thought it would be.

BECKY QUICK: Are the opportunities in Japan better than the opportunities in the United States right now?

WARREN BUFFETT: Well, it isn't one versus the other. We can do both, but we do have more money through equities. Now, we own a lot of Coca-Cola. Coca-Cola does a lot of business here.

…ave more money in terms of equity securities in Japan than in any other …nd all combined. We just thought-- we were—

BECKY QUICK: Minus the United States.

GREG ABEL: Excluding the U.S.

BECKY QUICK: Excluding the U.S., right.

GREG ABEL: And that message really resonated with them. They were surprised that Japan, outside of the U.S., would be Berkshire's second-largest place for deploying our capital into equities.

BECKY QUICK: Right.

GREG ABEL: Yeah.

BECKY QUICK: What's, maybe, the most surprising thing you've learned since you were here, each of you?

GREG ABEL: Go ahead.

WARREN BUFFETT: Well, it's interesting to us – well, A, you know, we like each other, and we learned something about each company that – I read the reports every quarter. I look at every number. You know, I eat that up. But meeting them in person – and in the United States, nine times out of ten, I never meet anybody we buy stock in, you know? But it's true. I mean, I don't go around to companies anymore, and I prefer they don't come to us, actually, you know? So--

BECKY QUICK: Don't call us. We'll call you.

WARREN BUFFETT: Well, no, you know, they send investor relations people, and basically every company comes in and says, "We're the best buy in the world," and it just isn't true, and it's ridiculous on its face. These people just – I mean, we've read the report – or I read the reports at that time, and then Greg got interested right away. And they told us a lot of things that helped us further our understanding of how they thought, where they were going, so, we came away smarter than when we came in, and that's unusual.

GREG ABEL: Yeah, I would agree, Warren. I mean, they each had their own story, and yet, there were similarities, but they each had their approach to business. But the other thing that stood out

…m, and they've got their portfolios, but they're thinking about how they … then, how can they incrementally improve their businesses. And that clearly came across from each of the five businesses.

BECKY QUICK: That's not the only thing you all have done since you've been here, too. You were meeting with a subsidiary today, as well. The last time you were in Japan, Warren, was 12 years ago, and it was to come to the factory from the representatives who came to visit you today.

WARREN BUFFETT: Yeah, we met just a few hours ago with ten of the very important executives of a subsidiary of Berkshire's that we own 100% of, ISCAR. And the accomplishments of that company have been extraordinary, and maybe 15 years ago or thereabouts it bought an operation here in Hanoi in Japan, and I visited that plant right after the earthquake. And it was amazing to me and it was a chance I was hoping to get to their home grounds—

BECKY QUICK: Fukushima?

WARREN BUFFETT: Yeah.

GREG ABEL: Yep.

WARREN BUFFETT: But because of flying, the problem of flying helicopters and everything during the season – they all joined me a few hours ago, and it's an incredible – ISCAR is one of our pride and joys in terms of acquisitions. It came from getting a one-page letter – one-and-a-quarter-page letter through the mail. And in that one-and-a-quarter page letter, the person talking to me, who I had never heard of before, I hadn't heard of his company, he told me more than these 60-page brochures – he told me how much he wanted for the business. He told me what it was like. He told me why it fitted into Berkshire. And he said and a couple of other people would come over if I felt like what he was suggesting. And they came, and we made a deal, and I got there on a Friday, and we ran into one kind of tax problem, and a fellow named Danny Goldman worked all night, and on Saturday morning, he said, "We've worked it out." And I said, "Well" and we got whatever it was, $5 billion in the overall evaluation, and we made a deal, and then not too many months later, Charlie, and I, and a couple of the – and Sandy Gottesman, and we got on a plane, and we went over to see whether there was really anything there that we'd written a check for. And it's just been an amazing company. It started with nothing except a fellow named Stef Wertheimer with zero going into competition, located in Israel at that time. And that would spread around the world. But it had nothing and was making the little tools that other people made, and they already had the customers in the United States. They could buy the

…s it now is an incredible manager, they've created a business that we are …of. And we love what they've accomplished. And they don't stop. They just keep going. And, in Japan, you know, they just bought a 51% interest in another company that fits in. ISCAR will never stop. Berkshire will be proud of it 20, 50, 100 years from now.

GREG ABEL: And it was interesting, Warren, didn't you think that one of the managers asked specifically, "How did the opportunity to invest in ISCAR/IMC, how did that come to you?" And you shared that story. But it's great to see their interest and how they have become part of Berkshire. And they highlighted in Japan, for example, IMC started with a small operation here 20-plus years ago. Now, we have three businesses that we own 100% of, and we're going to go visit Tungaloy, which has a very significant plant in Japan. And then they've added two since, and now we own, just recently, starting April 1, we have 51% of another joint venture company. So, once – they have been amazing at establishing a base and then continuing to grow it.

BECKY QUICK: Greg, let me talk to you, because I've known you for years, but we've never had you on the program to talk about your role. You're Vice Chairman at Berkshire Hathaway. You've also been named the heir apparent, which we all found out just about two years ago at the annual meeting that was held out in Los Angeles.

GREG ABEL: Right.

WARREN BUFFETT: With our usual deft handling.

BECKY QUICK: Greg probably doesn't even know. Charlie Munger mentioned it kind of in passing. And so that's how the world found out. How has your life changed since that announcement?

GREG ABEL: Yeah, I would say it hasn't changed in a lot of ways, because it goes back to what I enjoy and making sure that those priorities stay in place. The responsibilities around the work again, the relationships I have with Ajit or the other managers really haven't changed. There are some external forces or interests and that's naturally going to come. But I would say, you know, the beauty of it and it's being part of Berkshire allows me to just continue to do what I really enjoy. So, I get the opportunity to work with Warren, and Charlie, and others but, at the same time, work with all our great managers every day. And that hasn't changed.

BECKY QUICK: The external interest that comes with that, what does that mean? A lot more people call you, and a lot more people want to get on your call sheet? They want to be able to at naturally comes. There's a lot of those calls. There's people in the e didn't even know, you know, that I work for Berkshire, so you get some interesting comments. I'll get questions from my 11-year-old's best friends as to what that means, just the like question you asked. But I remind them we're still doing all the same things we did five years ago together, and that will be the approach to the way forward.

BECKY QUICK: So, how do you two work together? And what—

WARREN BUFFETT: He does all the work, and I take the bows – it's exactly what I wanted. And he knows more about the individuals, the business, he's seen them all. And you know, they haven't seen me at the BNSF Railroad for ten, 12 years or something like that. And you know, Katie Farmer, I mean, she – yeah. Greg is there, and he understands each of our businesses. To have the grasp of what, you know, whether it's – or the railroad operation, or you name it. It just goes all over. And Greg gets it the same way I get it, but the difference is that he likes to work, and I like to sit around. And I like to allocate capital, and he likes to – he thinks the same way on it as I do, but he also, he likes to meet everybody that's running the business. And he understands them, and, and he's probably tougher than I would be in terms of getting things done and everything. And so, it's improved, it's already improved dramatically, the management of Berkshire. And we think alike on acquisitions. We think alike on capital allocation. I mean, he's a big improvement on me, but don't tell anybody.

BECKY QUICK: So, what's an example? If he's tougher on you than things, what's one example where he's been tougher than you would have been? Either of you could answer that.

GREG ABEL: Well, I think one, Warren, Warren grew up with all the businesses. He acquired 'em or they're already there. So, when I came in, I had the opportunity to start from scratch. I had to learn the businesses and their industries, which means there's going to be an active dialogue with the managers. And that helps immediately, that I was able to at least have that dialogue. And then associated with that, because I'm learning the business, I had the opportunity to discuss their businesses and expectations around it. And I would say just even communicating around how they allocate their capital, how they're using it. And I wouldn't say giving 'em the absolute requirements but providing direction in those areas has been beneficial, I think, both for Berkshire but for them. They like that type of input.

WARREN BUFFETT: Our managers like autonomy, but they also get lonesome. I give 'em the autonomy, and but Greg gives 'em both and he gets somewhat more discipline out of the ood, good cop, bad cop?

GREG ABEL: No, no—

WARREN BUFFETT: No, no.

GREG ABEL: No, not at all—

WARREN BUFFETT: No, no.

BECKY QUICK: Is it nice parent, mean parent?

GREG ABEL: No. We really get, it's just like I said, a bit of a different approach but what they value is a little more of that one-on-one. They don't want to just be out there by themselves, but they so they appreciate that, but they want the autonomy that they've always had.

BECKY QUICK: You know, one of the questions that people have always had is when Warren is no longer running things what would that mean? Would all of this collection of managers, who you have some great managers at a lot of different companies, how do you keep them all interested, because for so long, it's been amazing to say, "I work with Berkshire Hathaway and for Warren Buffett"? And how do you build that same sort of rapport with them?

GREG ABEL: Yeah, I think there's a few things. So, first, this has helped a lot, when you have this type of transition and I've had the opportunity to work with 'em. So, I think we do have very good relationships, but there's no question. It's not the same as working for Warren. I've understood that, and I've effectively apologized to them many times for, for that outcome. But they also realize that they still have an opportunity to go run their businesses, what they love and what they wake up to do every day. And that's what we're still providing, both today, under the current situation, and we'll provide the same opportunity long term.

BECKY QUICK: So, even though it was kind of an accident that the world found out that Greg—

WARREN BUFFETT: It wasn't an accident. You got it out of him I think, actually.

GREG ABEL: We got it out of Charlie.

WARREN BUFFETT: Oh we got it out of Charlie. Oh, Charlie and I are not the more careful with our wording at times.

Of course. And you're so damn lucky. I mean, it isn't like I had ten people I ...ere may be ten people out there, but I don't, I know Greg, and I and that but there aren't ten Gregs out there. That I can guarantee you. And, you know, the problem for our board of directors is the day I'm not around and Greg's running it, I am not giving 'em some -- who tells 'em what to do next. I mean but, on the other hand, Greg is not looking to retire at 65, or 70, or 75, and we don't want anybody at Berkshire that's thinking about, you know, what their package will be when they get to be 65. We've got a unique organization which now has tremendous resources. And we've got and nobody really can copy our style. I mean, in in the end, I mean, where else can they get an answer in five minutes, you know, whether we're interested in the business and where they can get the kind of freedom now, they gotta -- in every case, and they can be more lax with me than they could with Greg. Greg just, you know, says it. If there's no need for them any of our subsidiaries to keep any cash around, we're the best bank in the world. We've got $100 billion-plus, and Greg's better at enforcing that sort of thing than I am.

BECKY QUICK: Is there—

WARREN BUFFETT: And they smile when he gets through enforcing it. You know, that's the other thing I mean, he can deliver tough instructions, at least compared to me, and when they go away, they feel good about themselves.

BECKY QUICK: Greg, recently, there was news made that you had put even more money into Berkshire. For a while, you didn't have a lot of money in Berkshire. You had a lot of it in MidAmerican Energy and then Berkshire Hathaway Energy—

GREG ABEL: Correct. Yep.

BECKY QUICK: In the ownership structure. But recently, you increased your stake to even above $100 million of stock that you have purchased with your own money.

GREG ABEL: Correct.

BECKY QUICK: Why'd you do that, and will there be more put into it?

GREG ABEL: Yeah, obviously, when I monetized the position in Berkshire Hathaway Energy, that provided an opportunity to purchase shares of Berkshire. And had I done that sooner, I would have owned the shares in Berkshire earlier, so that was always the intention. And, yes, I always will continue to invest in Berkshire. I strongly believe in Berkshire. I believe in what's

WARREN BUFFETT: Becky, how many managers in the United States have put $100 million of their own money, not getting a share of the discount, not getting any special deal on it or any of the sort or having an incentive to come, expert to come around and do as instructed, which is to arrange it so that the CEO gets the upside but doesn't share the downside? Now I can hardly think of a case where anybody's put anything like $100 million of their own money in and gotten the exact same deal as the shareholder gets. If they make money, they make money. If they lose money, they lose money. And that's just the way we play it at Berkshire. You don't find it anyplace else.

BECKY QUICK: Yeah. And did you feel any pressure to do that? Or this was always the plan, this —

GREG ABEL: No, I felt zero pressure. I mean, I very much believe in what Warren said that our culture is one that's very aligned with our shareholders. And I've observed both Warren and Charlie, and our other board members but specifically those two, that they've had their capital deployed there. But it's the belief that they're going to align with the shareholders, and that's who are their partners, and that's who they're gonna take care of forever. And so, it was a pretty simple decision to when the capital freed up to acquire Berkshire shares.

BECKY QUICK: So, you've had the relationship for years now with the non-insurance operation —

GREG ABEL: Right.

BECKY QUICK: Of overseeing all of that. Ajit Jain is responsible for overseeing the insurance operations—

GREG ABEL: Right.

BECKY QUICK: How do you and Ajit work together?

GREG ABEL: Yeah, it's been a great relationship. And it, that's been a big benefit of, again, once we became vice chairs. Yes, we would talk and we'd see each other, but it's created that opportunity to have an active dialogue. So, we regularly check in with each other. If there's ever an issue that'll cross the boundaries of, let's say, either it's a broader Berkshire matter, we'll both pick up the phone, whoever it initiates with and check in with the other to see as we move down

comfortable with it and seek input. So, it's been, it's been a great
pleasure and honor to have the opportunity to work that much with Ajit.

WARREN BUFFETT: And Ajit never wanted to run Berkshire.

GREG ABEL: No.

WARREN BUFFETT: Greg didn't want to, but he's perfectly willing to do but it wasn't what Ajit loves the running the, you know, one-of-a-kind insurance company in the world, which he built himself. And he has a lot of fun running insurance, and he doesn't really give a damn about Garanimals, you know? So you don't, you didn't have two guys competing for the same job or anything like that. So it's Ajit's job to develop a lot of money for us at no cost or less, and then he hands it to me, and he says, "You do something with it, Warren." And Greg, in fact all any non-insurance operation, you know, will fall on it, when we bought Alleghany, Alleghany was an insurance company—

BECKY QUICK: That's right.

WARREN BUFFETT: But it had eight—

GREG ABEL: Right.

WARREN BUFFETT: Eight other subsidiary operations. The eight subsidiary operations, which are not necessarily small. I mean, there's hundreds of millions of dollars of pre-tax earnings there, Greg gets 'em. Joe continues to run the insurance operation, and—

BECKY QUICK: The CEO of Alleghany.

WARREN BUFFETT: But he's work—

GREG ABEL: Yeah, Joe Brandon.

WARREN BUFFETT: But he works through he works with Ajit. Now, Joe and I have a direct relationship, too. But, you know, it just all works.

BECKY QUICK: I think Joe has a question from back in studio. Joe?

JOE KERNEN: Really? Did they, did they tell you that? I have a lot of, a lot of questions, but I think we're probably gonna talk--

ght I've, maybe I heard it wrong. I thought they said, "Joe had a question."
at or toss to a break so.

JOE KERNEN: I have a lot of questions. I mainly have questions about life in general, but I do have a lot of questions that I'd love to, we've never actually spoken to Greg before. That was that was somethin' but I think we should take a break, though, and and we'll come back. There are certain, you know, we have this show lined up a certain way. We want to only talk about certain things at certain times, and I think that makes a lot of sense, 'cause we only have Greg for an hour. So, I will definitely have a lot more in the, in the seven and eight. I bet you Sorkin's got a question, too, don't you, or two A.R.S?

ANDREW ROSS SORKIN: I do. Many, many a question. Many a question—

JOE KERNEN: But let's it's 8:20, 6:29. It's 8:29 somewhere, but it's only 6:29 here. Let's take a break. It's this is coming at 8:30, and we can't stop it: the latest read on consumer prices is gonna hit the tape at 8:30a.m. ET. Polled forecast is expected to pace of inflation to slow from last month. And a reminder: You can stream "Squawk Box" live every weekday morning on Peacock. Kinda new, and kinda great. Just go to the Morning News hub. "Squawk Box" will be right back. So, all over the world—

COMMERCIAL BREAK

JOE KERNEN: Alright, good morning and welcome back to "Squawk Box" live from the NASDAQ MarketSite in Times Square, checking the futures there in the green this morning, but it all could change at 8:30. It's a big number the CPI, that remember, we had the what would you call that banking crisis 2.0? I don't know if it deserves the c-word or not, but we had that, and all of a sudden, we're all waiting to see what the next data points would be after that, and that was inflation. And we've got CPI and PPI, so they're big numbers. Right now, though, let's get back to Becky Quick in Tokyo. And I see, I didn't want to waste any time, because we got Greg and, you know, and I was gonna just ask Warren how far he took Creighton because it was really pretty amazing. And I was gonna ask Greg is he a basketball fan? And is he will we continue to do that, you know, you win money if you get all of 'em right, which, Warren, that's the greatest thing you've ever come up with. Did you see, is there anyone in the world who could have gotten even past the second round this time? There, no. Your money is safe. You will never pay off that money that you offer for someone to get everything right.

WARREN BUFFETT: Joe, we offered a, we had a winner for $100,000 in this it's Creighton and he—

JOE KERNEN: Oh god.

WARREN BUFFETT: The, the woman that won would have gotten $200,000 instead of $100,000, and she would have come to Omaha and thanked the great players personally. But next year, we're going to make it even more interesting. I'm redesigning the contest for next year, because I—

JOE KERNEN: Okay.

WARREN BUFFETT: I want somebody to win the million, and of course, one time, somebody came within a half a game of winning—

BECKY QUICK: And, by the way, don't you insure, don't you offer, have that insured? Or are you paying that out yourselves?

WARREN BUFFETT: It's Berkshire Hathaway.

GREG ABEL: Self-insured.

BECKY QUICK: Self-insured, okay.

WARREN BUFFETT: So, yeah—

GREG ABEL: And I am a basketball fan, Joe, and it'll continue for forever.

JOE KERNEN: Excellent. The parity's unbelievable, and it that's what gets me, is that, literally, one weird bounce on the rim changes the, it could be anybody that could have been in the final four, and it's just so great that—

WARREN BUFFETT: Oh, it could be anybody.

JOE KERNEN: Yeah, so great. And the parity's amazing. I mean, Creighton, I thought X beat Creighton, didn't they, Warren? I mean, I didn't, I don't know. But let's move as I said, I don't want to waste any time on this, and I just did. So, take it away.

WARREN BUFFETT: As somebody said a long time ago, I think it was Leo -- or something, "We was robbed."

WARREN BUFFETT: Well, all I know as nobody's been calling fouls like that throughout the game, and the guy missed the shot but he made one of the two free throws and I don't have anything against the idea of a -- but if that referee wants a seat at the Berkshire Hathaway Annual Meeting, to hell with him.

BECKY QUICK: Okay, so let me take it back away before you get yourself in more trouble with that.

WARREN BUFFETT: Yeah---

BECKY QUICK: Yeah. All right, so we're in Japan, but there's still a lot of things that are happening while you guys have been here. One of the pieces of news that came out was about a new CEO at Pilot, which is the Pilot Flying J franchise – or business that you all recently upped your position in. You used to be a minority holder. You just increased your position to just over 80%, and, as a result, you've made some changes there including that new CEO. You guys want to talk a little bit about that?

GREG ABEL: Sure. So, really pleased with the acquisition or taking our interest up to 80% at Pilot Flying J. They have a great set of assets and a great management team in place. The one area we did want to make a change was with the CEO, and really, the focus was to bring in someone who's been tenured with Berkshire and would have a long-term focus, someone who's going to be there for ten to 20 years or however long the—

WARREN BUFFETT: Long. Long—

GREG ABEL: Long – longer, yeah. And that was really the focus. So, we were able to-- Adam Wright, who is a 20-year energy veteran with Berkshire Hathaway Energy, and really started his career with us back in 1996 and has gone through many different roles in our organization in the energy side, including being CEO of MidAmerican Energy, one of our largest utility subsidiaries. So, when this opportunity presented itself, we approached Adam to move to Knoxville and take on the role. And we're just thrilled to have him back at – he'd moved on to a company for the past two years, and we're thrilled to have him back in the family. And I know he's thrilled. And he'll be a great leader for Pilot Flying J.

BECKY QUICK: And the Haslam family is on board with this? They still own about 20%?

GREG ABEL: Absolutely. They've been extremely supportive of the transition.

Yeah. And Adam is now, I think he will be the CEO of a company that, last ...llion of revenue. That is a big number. And now, diesel was higher last year, and I think—

BECKY QUICK: I was going to say, wasn't it $45 billion—

WARREN BUFFETT: So it might be normally $45 billion, but it is a big, big operation, and Adam – wasn't because he was born in Omaha, Nebraska, but he was born in Omaha, Nebraska. He went to the same public high school as my wife went to and three of my grandchildren went to – North High, that's been around a hundred-plus years. He had a mother that supported him in going to UNO, where he set the rushing record for three years. I think he gained 3,600 yards, and it'll never be broken, because they gave up football. He's a remarkable, remarkable manager. And when he ran MidAmerican, it was earning $700 million a year, and nobody's ever heard of him. I mean, there's all these people running businesses in this world that don't make $700 million a year after tax. And now, he'll be moving into an even bigger position, and, by the way, he's Black. And how many Black men or women are running operations that will do $40 billion or $50 billion a year? And we've got Katie Farmer running the largest railroad. And, you know, I'd say that no woman was ever thought – I come from the town, a railroad town, and it was unthinkable. And both of those people, Katie and now, Adam, they've got the jobs because they deserve, they've earned it. You know, Katie was at the railroad for 30-plus years, and she's got railroading in her blood. And Adam is just a terrific executive. And, you know, he had three jobs when he was at UNO.

BECKY QUICK: University of Nebraska Omaha?

WARREN BUFFETT: University of Nebraska Omaha. And it's an Horatio Alger story. And to happen to be in your own backyard, I feel terrific about it, but I did not engineer it. I mean, he got there and then I learned how Adam was after he was there.

GREG ABEL: Yeah. When he was CEO of MidAmerican—

WARREN BUFFETT: Yeah, absolutely.

GREG ABEL: You learned of him.

WARREN BUFFETT: Absolutely.

GREG ABEL: Yeah, and he developed through our company. There are some great folks that e, it's just amazing. And their leadership skills are remarkable.

WARREN BUFFETT: Think of publicity that people get that run a business that makes $700 million a year or, in the case of Katie, $6 billion a year.

GREG ABEL: Yeah.

WARREN BUFFETT: And they work through Berkshire, with Berkshire's resources, with our support. But they are talent. And they get it because they're the person for the job.

BECKY QUICK: Not because some DEI shareholder proposal came through?

WARREN BUFFETT: No. Nothing. I mean, we just, you know, I feel good about Berkshire when I look at a guy like Adam, who went to North High and you know, 110 years – 1920, I think, it got started. And here he is, public schools, you know, and he's running – he didn't go to a Harvard Business School. You know, he just earned the job, as did Katie, who went to TCU–

BECKY QUICK: Texas Christian?

WARREN BUFFETT: Yeah—

GREG ABEL: Correct.

WARREN BUFFETT: Texas Christian. And they had a – BNSF happened to be particularly interested right there in the same area. And I think she started working for us when she was still in college. I mean—

GREG ABEL: Yeah.

WARREN BUFFETT: So, I love the stories of these people, and they don't get a lot of publicity like other people may get, but boy, do they ever do the job.

GREG ABEL: Yeah, both Katie and Adam started, had internships with us.

WARREN BUFFETT: Yeah.

GREG ABEL: I mean, they came in as interns and now are CEOs of two important businesses for Berkshire, so couldn't be more proud of them.

BECKY QUICK: While we're talking about the railroad, let's take this a little more broadly. Greg, of questions raised nationally since the derailment of Norfolk Southern in

GREG ABEL: Right.

BECKY QUICK: A couple other derailments have happened since, but that one, particularly because of the chemicals involved. There's been a debate that's been taking place around the country. Is this a Norfolk Southern problem, or is it a broader railroad issue? What would you say to that?

GREG ABEL: Yeah, I would say it's a railroad problem, now, specifically now. I mean, we have to take on the challenges that we've had some significant events, and our team at BNSF is – they take – I know within the moment of knowing of that accident, they were-- one, they're trying to understand it but also lessons learned. And we recognize there'll be certain actions that come from the federal government out of different agencies. And we'll be very respectful of that in sharing our experiences and figuring out, you know, the goal is to have a safe railway both for the consumers and the communities we operate in and, ultimately, also for our employees. So, there is no question. There is lessons to be learned for the industry as a whole, and there's room for improvement.

WARREN BUFFETT: On just a business basis, we would rather not handle hazardous materials. We are a common carrier. We're required to carry, you know, whether it's chlorine or you name it. And you know, we've got to do our damnedest to do that as safely as possible. But there literally was something like close to a thousand—

GREG ABEL: There are a thousand—

WARREN BUFFETT: Derailments. I mean–

GREG ABEL: Derailments a year.

WARREN BUFFETT: You are running huge trains, 120 cars or maybe, and it's big, heavy stuff. And they go around curves, and they go in 100° weather, and they go in 0° weather, and the record of the industry as becoming more safe is dramatic over time. But every day, you have to think about making it safer. I mean—

GREG ABEL: Safer, yeah.

Katie would tell you that it's unacceptable to have anybody die and for example, but, people walk all along railroad tracks. Some people commit suicide on railroad tracks. I mean, just imagine how traumatic that would be for an engineer. He can't stop the train, and he's blowing his whistle like crazy. Somebody decides that that's the way they want to go. Railroading is a tough business, and it's a lot better than it used to be. It'll be better ten years from now and 20 years from now. And they'll never let up at BNSF, I can promise you that.

BECKY QUICK: Some of the blame though has been put on precision railroading on the idea that Norfolk Southern, in particular, if you listen to some of the railmen there who have issued complaints about it, saying that – I was reading one guy's testimony who said that, in the 20 years he's been there – and, again, this is Norfolk Southern, not Burlington Northern, but precision railroading is something almost all the railroads have taken a look at – saying that in the 20 years he'd been there, the safety times had gotten shorter and shorter in terms of allowing inspection for every car that went through, going from two and a half minutes, to two minutes, to a minute and a half and even less. Is that a concern? Is that something that happens at BNSF, as well?

GREG ABEL: I would say that, listen, everybody's trying to become more efficient all the time as we operate the railroads. But if you look at the safety records, for example, equipment failures, definitely at BNSF, we see improvement year after year in that area. And there may be blips due to a very specific event, but the team as a whole, they start with prevention. How do we avoid the problem right at the front end? And then you move to detection, and you're saying, okay, if we do have a problem, how do we, you know, identify it early and address it? And then you hope you're not responding, but you create a culture that you're going to constantly focus on the three of those. And that will create a safer work environment, both for our employees, and for the equipment they're moving, and for the communities we operate in. But it is rotating equipment. You know, things do go wrong, and that's why that prevention and detection becomes so important. And I think we have a very strong culture around that in BNSF.

WARREN BUFFETT: The quarterly report I get ever since we've bought it, but continuing under Katie, it begins with safety.

GREG ABEL: Right.

WARREN BUFFETT: And it gets around to the operating ratio and net income, all that, but it starts with safety. And you know, it's an outdoor exercise. I mean, we've had all, you know, you deal with hundreds and hundreds of millions of ton miles moving. I mean, you have problems. If

…ot problems. If you have airplanes, you have problems. If you have barges, you have problems. If you have railroads, it's gotten safer, dramatically, over the years—

BECKY QUICK: You guys have all of that.

GREG ABEL: Right.

WARREN BUFFETT: Yeah.

GREG ABEL: And all those risks covered.

WARREN BUFFETT: Yeah. And it's amazing. We are carrying now, there was much more passenger traffic in the past, but we are carrying more ton loads of freight in the railroad industry than right after World War II, and we've got 1/10 as many people that are needed to do it. And they're doing it more safely by dramatic measures than existed at that time. But, every day, you know, they're worried about it, and to say that there will never be any more derailments is just plain crazy, you know? And I would rather not be carrying, what's it called, hazmat, hazardous materials. But they are going to be transported in this country, and the shippers decide what is the best method of getting their product to market. And if they are on BNSF or for a handoff from some other railroad. I mean, we carry them. And I can tell you that Katie Farmer and her predecessor CEOs, they care about safety. But will we be perfect? The answer is no.

GREG ABEL: No.

WARREN BUFFETT: It just isn't going to happen.

BECKY QUICK: You won't be perfect. Would your response be the same as what we've seen from Norfolk Southern?

WARREN BUFFETT: I think they've handled it terribly.

GREG ABEL: Yeah.

WARREN BUFFETT: Yeah. And, you know, we connect with them in all kinds of ways. I mean, they're, you know, the amount that we hand off or get received, and it comes to us, and it's the way the American system has developed in railroading. But yeah, I don't know the person personally, the CEO or anything. But they were tone deaf. And I don't think they're necessarily bad people or anything of the sort, but their response should have not been the same way. I mean, you know, we had a derailment not long thereafter

WARREN BUFFETT: And you know, I mean, it was either going to be Katie or it was going to be Greg that immediately got on a plane and flew there. I mean—

GREG ABEL: Right.

WARREN BUFFETT: And, yeah, looking back now, I'm second guessing somebody. You know, I've made so many mistakes in my life, but looking with hindsight, CEO of Norfolk Southern, I mean, if he'd gotten there and drank the first water, and, you know, said, "We're going to do whatever it takes to restore your life as it was before this happened," and everything, you know, that's the way to behave. But I've done a lot of things that I have do overs on, too. So I don't know. I wanted to – I don't want to claim my responses have been perfect in every instance, either. But I sure hope we don't do that ever at BNSF. I'll put it that way.

GREG ABEL: Right.

BECKY QUICK: Yeah. All right, so, Greg, let's talk about where you spend the most of your time. Obviously, BNSF and Berkshire Energy—

GREG ABEL: Right.

BECKY QUICK: Are two huge areas. How much of your time do you spend with Berkshire Hathaway Energy?

GREG ABEL: Yeah, it would be similar to what I spend with BNSF except I still know – have a lot of strong relationships in that industry. So, a few years ago, we acquired some assets from Dominion Energy, a great set of-gas transmission assets in the Northeast part of the United States. That's through a strong relationship I had with the prior CEO, Tom Farrell. And so, I've maintained those relationships. So, inevitably, I'll spend more time on energy, say, than a BNSF. On the general matters, it's equal, but there are other opportunities that I'm just – know within the energy space, and that's where I came from. So I, inevitably, I spend more time there. And then I try to cross our businesses. I mean, our top 12 businesses account for 85%, 86% of our underlying cash flows in the group. So, it's pretty easy to know where you should be spending your time. At the same time, as Warren touched on earlier, I do know all the businesses and as best I can, and the CEOs, and, a large part, their management teams. So, it's not that the rest are ignored, but they're time is prioritized across those top 12 businesses.

Greg has lived in Omaha in the past, but he lives in Des Moines now, and of the, I mean, he's gone wherever it was needed in terms of the predecessor company. But he has found, apparently, some little area in Des Moines where there's 48 hours in the day. And that's the only explanation for how he gets everything done that he does.

GREG ABEL: Yeah.

WARREN BUFFETT: Maybe it will only be a couple blocks, but I want to find that place.

GREG ABEL: We have a lot of great members on our team, as we all know, that allow a lot to happen. But, yeah. And that's a good point. I mean, you sort of, in the end, I go where someone's either requesting some input or a discussion. And, of course, I know, like I said, the large ones. But if someone else calls us and says, "We need to discuss something," I'm going to talk to them that day or very quickly.

BECKY QUICK: A big part of Warren's job is also capital allocation.

GREG ABEL: Right.

BECKY QUICK: And right now, Warren, and Charlie, and Todd Combs, and Ted Weschler are all responsible for allocating capital. Obviously, you've done a lot of deals in your day, too.

GREG ABEL: Right.

BECKY QUICK: What kind of relationship do you have with Todd and Ted? Do you talk to them about capital allocation at all? Is there any back and forth?

GREG ABEL: Well, I pay attention to what they're doing. But, in the end, I think it's much like Warren does. They run their own portfolio.

WARREN BUFFETT: Yeah.

GREG ABEL: So, I watch it with interest, and I don't really know who's doing what amongst it, but we all have a pretty good idea of what Warren is doing versus the two of them. So, I'll do it to mainly observe, and pay attention, and learn from what they're doing. And I may ask them, "That was really interesting. What triggered your interest?" But that's the extent of it. And outside of having relationships with both of them, which are important, that's their portfolio, and that's the way it'll always be, and they'll manage it accordingly.

u like capital allocation—

WARREN BUFFETT: Oh, he's terrific at it, but—

GREG ABEL: Yeah.

WARREN BUFFETT: My job, the job of any CEO at Berkshire, is the job of capital allocation is their job and the—

GREG ABEL: Right.

WARREN BUFFETT: The chief risk officer--

BECKY QUICK: Right. That's—

WARREN BUFFETT: Is their job. And you can't get rid of it. I mean, the if you aren't willing to assume that responsibility, forget it. You shouldn't have the job. Now, Greg's got all kinds of ideas and everything, but it's my responsibility, in the end that doesn't I just and it'll be his responsibility when he runs it. I mean, it just, the idea that you have this committee, and a risk committee, and all that kind of thing, that I think that's kinda crazy myself. But there there are rules, for example, in banking that you have a risk committee and the CEO is the one that is gonna get you in trouble.

BECKY QUICK: Or keep you out of it.

GREG ABEL: Right, keep you out of it. It's up to them to identify the risk and then and own it and we've got that culture. And I talked about that responsibility to the shareholder, but that come, with that comes being the chief risk, risk officer, allocating the capital properly and prudently, and then, incrementally, we have our business operations. But our managers know what to do. But keeping 'em within the our level of comfort. And with that, what we really want to create is a company that's an asset to America and never a liability.

BECKY QUICK: Do you two have discussions about risk management? Just because Warren, you've been somebody who's been great at this over years, and years, and decades of kind of seeing risks far off on the horizon before anybody else. Do you guys talk about stuff like that?

WARREN BUFFETT: It's my job to think about risks that nobody else thinks about. I'm I it's very easy to read a little thing in the front of the 10-K of every company about the risk. It's the ones that aren't in there that are that

WARREN BUFFETT: In one way or another, are gonna bite you. And I've get 99 and a fraction percent of my net worth in Berkshire, but I've got all my relatives in. I've got everybody in. If I thought that I wasn't going to be able to do a decent job of managing the risk, a better than decent job, I'd be crazy to take on that responsibility. Why in the world do, you know, I've got all the money I need, so why should I do something that could destroy me internally, and my sisters, and my cousins and all these people unless I felt that I could do the job of managing risk really as well as anybody can do. And it is a complex organization, and I worry about things nobody else worries about. But I can't solve 'em all. I can't solve if the pandemic starts but anything that can be solved, I should be, I should be thinking about that. And Charlie thinks about it, too. I mean, we've talked about it forever.

BECKY QUICK: Well, we're gonna talk a lot more about this in the next couple of hours what you see out there as the risks. But, Greg, we want to thank you very much for this time and for sitting down with us. We really appreciate it.

GREG ABEL: It's been great, so thank you very much.

BECKY QUICK: Thank you again, Greg Abel, who is vice chairman of Berkshire Hathaway. Andrew, we'll send it over to you. Got a lot more to come.

ANDREW ROSS SORKIN: A lot more to come Becky. Thank you for bringing us Greg Abel and of course a lot more from Warren Buffett in Tokyo this morning. We're going to come back in just a moment. We've also got key inflation data ahead and we're going to get the March read on CPI as of 8:30am ET. Of course you can get the best of "Squawk Box" on our daily podcast including today's very special conversation with Warren Buffett. If you missed any of it, it'll be available just a little bit later. Follow "Squawk Pod" on your favorite podcast app and we are coming right back. Two big hours of Warren Buffett in Tokyo ahead.

COMMERICAL BREAK

BECKY QUICK: Hey, Joe. Thank you very much. And we are going to get to those CPI numbers at 8:30. We'll do our very best to hit it right on time. Rick Santelli's going to bring us the update on all of those, and then we'll get Warren Buffett's reaction to it too. But, Warren, in the meantime this is the first time that we've gotten the chance to speak with you in a very long time.

You've gone quiet, but there's been a lot that's happened and a lot that's happened recently in particular, problems in the banking sector. Your name kept coming up as someone who was in talks with the administration potentially to step in and do something with some of the regional banks, with some of the bigger banks. There was a lot of confusion around it. But can you tell us what happened? Were you, were you talking to the Biden administration about problems with the bank?

WARREN BUFFETT: No. I never talked to the president. I've never called the president in my life. But I have talked with people that from time to time that that work around the president. That's, that's been true for administration after administration. And, and I don't talk about what I talk with them about.

BECKY QUICK: Are, would it be fair to assume that you've spoken with them recently when these—

WARREN BUFFETT: The president?

BECKY QUICK: Not the president—

WARREN BUFFETT: No, no.

BECKY QUICK: People around the president, let's say, people in the administration--

WARREN BUFFETT: I haven't spoken to anybody that recently, but I've spoken with people. And I've spoken with people around the administration but generally they call me but not 100% of the time. The I mean, I would feel free to call a member of the administration. I would never feel free to call the president of the United States.

BECKY QUICK: Okay. So let's talk about what's happening in the banking sector right now. It, is this a banking crisis? Is this financials in turmoil? Is this banking crisis 2.0? What would you call what we've been seeing happen?

WARREN BUFFETT: Well, I, I would say that the, some of the dumb things that banks do periodically well has, have become uncovered during this period. And as one of, a banker told me one time, he says, "I don't know why we keep looking for new ways to lose money when the old ones are working so well." And they made the same mistake, some banks, in this period by they haven't made as many mistakes, they expect to make some mistakes in making loans, but they haven't, and particularly here in the credit card loans I mean, that's just part of the game, but

-- and bankers have been tempted to do that forever, and every now then ... a big way. And it's just amazing to me that banks can make presentations to financial analysts and everything and if one bank bought a bond at 100 and another bought it at 96 and they both, they both split held a maturity one bank carries it at 100 and another bank carries it at 96. I mean, it, it is accounting procedures have driven some bankers to do some things that may have helped their current earnings a little bit and pull and caused the recurring temptation to get a little bit bigger spread and report a little more in earnings. And it's ended in a result you could predict. You can predict when it would happen, and then once they start looking at one that does it then they start looking at others. And pretty soon, you know, that everybody is in a position of looking at a number that nobody looked at when it was, when it was presented to them a year ago if you read the 10-K already but the banks did not call attention to what they were doing when it was going on, and I would read, I would read investor contact when they would have meetings with the financial analysts or the people who follow banking and nobody even brought up the point virtually and believe me if, you know, if we've got a $50 billion loss or something, something at Berkshire, we would expect that people would know about it. And it's happened before. It's happened this time. It'll happen again some day.

BECKY QUICK: Did you see this? You were reading through the reports. You followed all these banking earnings that were coming—

WARREN BUFFETT: Sure--

BECKY QUICK: In. So you noticed it. You saw it—

WARREN BUFFETT: Sure. Sure, I noticed it.

BECKY QUICK: Is that why you saw, sold so many of the banking stocks you owned--

WARREN BUFFETT: Well, we sold a number of banks. I mean, we had, we had held some of 'em for 25 years. But I don't like it when people get too focused on the earnings number and forget what my view of pacing banking principles. I'm not gonna get into naming any names or anything like that, but it happened to varying degrees throughout the industry, wasn't the and the politicians say, "Well, the big banks did this and," that isn't true. I mean, I know who has been holding long-term instruments and if they just take more commercial mortgages or something of the sort that they carry 'em at cost basically and they can't sell 'em at that cost. And it's important, it's important the banks retain the confidence of the public, and they can lose it, you know, in seconds. And we saw a country that was not worried about banks, you know, till about

…d about it all over the country. And the interesting thing of course is that it …ment a penny. I mean, people think that, you know, that some of the government's gonna get hung up with this. The FDIC is a in effect a very peculiar neutral insurance operation that is run by the government but is financed by the banks and FDIC had $120 billion or so at the start of the year, and that's all the money that banks have paid in, less what the FDIC has had to pay out on losses. And if the FDIC has to pay out $250 billion this time or $300 billion, they just assess the banks more. And they don't do it in a very businesslike manner because the public has the impression that the FDIC is the United States government and that so on, and of course they do appoint the people, but the cost of the FDIC, including the cost of their employees and everything else, is borne by the banks. So banks have never cost the federal government a dime. But that the public doesn't really understand the whole FDIC thing, and the comments of public officials confuse it and the issue enormously and - I mean, the FDIC was set up to operate on I think January 1st, 1934. You'd think somebody would have gotten through to writing what's the essence of this FDIC, which is, was a fantastically good development of the New Deal. I mean, 2,000 banks failed in, I don't know whether it was, 1920 or 1921. There's only, I don't know, something less than 5,000 banks in the United States. And, I mean, it was a paralyzing thing to have a bank failure in this country. And my dad lost his job in 1931. He lost his savings. And it was cause a bank failed that he worked in at downtown in Omaha. And people shouldn't be worried about losing their money and the deposits they have in an American bank. And today they have no reason to worry and but the message has gotten very confused and people don't really understand how it all works. And you know, and politicians can make hay out of it and all kinds of, all kinds of things, bad things happen when people don't understand some major institution or who actually bears the cost and what the responsibilities are. And nobody is going to lose money on an on a deposit in a U.S. bank. I don't know about the rest of the world. I don't know. I'm not that familiar with it. But it's not going to happen and that message has gotten mixed up.

BECKY QUICK: Well, it, look, the message has gotten mixed up because and Andrew's got a question. We'll get to him in one second. The message has gotten mixed up because the government no longer has the authority to do, to back up all deposits without getting the explicit okay from Congress—

WARREN BUFFETT: That's the, but they'll get the okay. I mean the, you know, you can say that, you know, that we're gonna hit the deficit ceiling, you know, that and the debt ceiling and, you know, it and everybody makes hay out of it politically and everything. We're gonna change the

"Well, the law doesn't allow the federal debt to get above X," well, they're … what happened, what happened with the with the failure of Silicon Valley and then Signature thereafter, they're, they understandably, the Federal Reserve says, "We have this much power," on a Sunday. Understandably, the FDIC says, "We have this much power," on a Sunday, which is an accurate statement. And the president of the United States the next day says that, "Your deposits are safe." And he's absolutely correct, but you have to change the law. And I, the president of the United States can also say, "The United States is not gonna, it's not going to let a debt ceiling mess up the whole world." And that's true too, but it wasn't technically true, in the sense that they would have to go to Congress. And then Janet Yellen quite understandably, said, "Well, we won't change the rules without coming to the House and Senate," and so on. And the public gets confused when they hear that they're both essentially right. You know, Secretary Yellen is right. The president is right. But it could have been added that the American public is not gonna lose, no American depositor is gonna lose any money in their bank, whether they got $250,000 or more. But if a change is needed, we'll make it. Emphasize the other banks are willing to pay the cost of it. And the messages get a little garbled.

BECKY QUICK: Andrew's got a question too. Andrew?

ANDREW ROSS SORKIN: Well, hey, thanks Becky. Hey, Warren to that end I think there's the issue of individuals who have money at banks and then there's companies who have payroll at banks and whether you would advocate for effectively not just this implicit guarantee but an explicit guarantee that covers everything and what the implications of that are, just from the for the risk that banks may take as a result of knowing that it's guaranteed and also what the cost of effectively you've been, you are in the insurance business. If we, if we were to insure every deposit across the entire banking system what that would do to how much capital would even be in the system, if you will, and available for loan.

WARREN BUFFETT: You basically have a neutral insurance company, and they of a very peculiar sort and the ability to pay the assessment I think the assessments are, like, $10 billion or maybe that was the total revenue of the FDIC but if they need $30 billion or $50 billion, it won't be the federal government that will put in the money. It will be banks. And I don't think that's understood, even though well originally when it started in 1934 they had some different rules, and you didn't even have to belong to the FDIC. So it, it's evolved in a way. It's evolved like social security, where people sort of got a notion in their minds and the politicians sometimes used it demagogue versus things. And in the end, you know, it's like saying the social security trust is vill be glad to put a million dollars of my own money in the bank that or any anybody takes a differing view takes and have them put a million dollars in, and at the end of the year from when we do it if any American depositor has lost money from a bank failure, the other fellow gets to name where the $2 million goes to what charity. And if they haven't, well, I get--

ANDREW ROSS SORKIN: Warren—

WARREN BUFFETT: To name it--

ANDREW ROSS SORKIN: If—

WARREN BUFFETT: And that's a firm offer, and we'll see who steps up.

ANDREW ROSS SORKIN: Right. If that's the case are the regional banks right now, the First Republics and the like a steal from a value proposition?

WARREN BUFFETT: No. They're not gonna save the stockholder. I didn't say the deposit is saving the stockholder. I didn't say saving the debt of the holding company. You know, people really don't understand it when they look generally at a bank when it says, "Debt," it's usually the fact that the shareholders own the bank on margin. You know, they borrow, they borrow money from a holding company and all that. And that's a different game. But with, they should lose money. I mean I don't have any problem with people losing money because if they if they do dumb things. And I've got a suggestion how to handle moral hazard on that subject, which we get to in a second. But the depositors are going to get their money, and they got their money on, you know, in the case of Silicon Valley on Monday morning. But they were sweating bullets all weekend unnecessarily. If it just, if they just understood how the system worked, and, you know, it,you know, it's a failure of all of ours that that message is really not communicated. I don't think it, I don't think one person in 100 can describe how the FDIC actually operates and where they get their money and who appoints it, you know, the people that are working there, who pays the salary of the people. It's a misunderstood institution.

BECKY QUICK: Are we through the banking crisis at this point, or are we not—

WARREN BUFFETT: We're not through with bank failures. But we're through the depositor, depositors haven't had a crisis. The owners of banks may have lost a hell of a lotta money. The people who bought the debt of the, of the holding company may they may lose a lotta money.

…need to be panicked about. I mean, it is really, you know, it's like we …'t know why you do it with people. We set up the FDIC to relieve the worry of people. And initially it wasn't the same institution it is now—

BECKY QUICK: But you're saying on one hand, "Okay, no depositor's gonna lose money." On the other hand you're saying, "We're not through the bank failures"--

WARREN BUFFETT: Banks can go bust, but depositors aren't going to be hurt. I mean, it, banks go bust. I mean, the Continental Illinois Bank was thought to be impregnable, you know, back many years ago. And the, you know, the Franklin National Bank, the Bank of the Commonwealth, they and sometimes they go broke because they make too many dumb loans. And sometimes it's 'cause they mismatch maturities.

BECKY QUICK: Joe's got a question too. Joe—

JOE KERNEN: I just wanted Warren to get to he's foreshadowed he's gonna talk about how to deal with the moral hazard if there is moral hazard. If the banks can fail maybe the share, you know, if the shareholders lose and debt-holders lose that maybe there is no moral hazard. But it's been posited that you give bank managers or CEOs the notion that all their depositors are gonna be protected then they're gonna keep promising higher rates that they can't deliver, and they're gonna do all kinds of things 'cause they're not worried about their depositors anymore. But you've got an answer for how to deal with that moral hazard?

WARREN BUFFETT: So, absolutely. I mean, they've gotta have something to lose themselves. I mean, in 2008 all kinds of trouble was caused by the banks, but no bank executive the CEOs that made those decisions, they all continued to live fine. You know, they may have lost their job but they get their pensions so they bore no res-- and then the bank later would pay billions of dollars, a bunch of shareholders' money, that had nothing to make to do with making those decisions. So I would absolutely suggest and I had some friends in banking, I may not have any by the time this program is over, but I would suggest that anybody that's CEO anybody that's CEO of a bank that screws up and cost shareholders a lotta money that in effect, you know, they get no pension from the bank. They go back to living, you know, like a person that works on the production line of Ford or something like that. They don't deserve anything special. And I would suggest to the directors of the bank that sat there for five years and listened to people come in and give reports and all that sort of thing, that they give back all their director's fees. And they I mean, there's gotta be consequences to the people who make the decisions and penalize the shareholders later bad action the way it if you're the president of the X, Y, Z bank and you ..., you know, you still will live on like you did before. It, you've taken away any sense of real responsibility with the directors. And answer to the directors isn't to have more risk committee meetings or anything like that. The answer to I've been on the board of banks, and the answer is to have board of directors feel like, "God, if this guy screws things up, I've gotta give back all this money that I've gotten, you know, $300,000 a year or whatever it may be in pre-stock and this kinda so I gotta give it all back for five years." Believe me, that changes behavior of the people that cause the problem. And this system doesn't get rid of moral hazard because it penalizes different people who make the decision. And I wanna penalize people who make the decision and have it very clear to them. And that will not be met by great enthusiasm from a lotta friends of mine. But that's exactly what I believe is should be done. And banking systems are enormously important. The world doesn't work well without banking systems. And I don't know anybody that went back to flipping burgers at McDonald's or something, you know, after they screwed up the system, you know, in a big way in 2008, 2009. Now they really were they made dumb they did things in 2008 and or 2007 and 2008 that really are qualitatively different and really much more reprehensible than things that people did in this period currently. But they did a lotta dumb things. And some of 'em sold their stock. And, I mean, there's no penalty attached to bad behavior. And it does really, really affect the system when people lose confidence in banks.

BECKY QUICK: Well, let me ask, you, you again have sold a lot of your bank shares that Berkshire Hathaway holds. Should we read that as an indication that you think banking is less investable than it used to be?

WARREN BUFFETT: Well, no, I'd love to own a good bank. We owned a bank in 1969 at Berkshire, and it was one of the best-run well, it I think it was probably the best-run bank in the country and Gene Abegg who ran it like I'm talking about I mean, he was a real banker. I -- Morris Schapiro and Harry Keith used to run the two big banking atlas firms on Wall Street. And they were really smart guys. And Morris Schapiro once said, "There are more banks than bankers." And you want people that understand that they are handling other people's money, just like you do when you want people running, you know, hedge funds or anything else, like they'd handle their own money. I mean, that and it's regarded as very clever in this country to set up things so that, you know, it's nice if your investors make money but you get very rich by assets under management. And in the banking industry, you have not connected responsibility for problems to the real punishment for that act. And that's when you'll get responsible—

You get a better banking system—

BECKY QUICK: Some of the banks the they've sold include USB, Wells Fargo, Goldman Sachs, JPMorgan, PNC. Should we think that they're banks that aren't well-run because you've sold them or—

WARREN BUFFETT: No. No--

BECKY QUICK: Okay.

WARREN BUFFETT: No. But I do think, I did think that banking could get in a lotta trouble just because of the kinda things that they did and that I didn't like the banking business as well as I did before.

BECKY QUICK: Why'd you keep Bank of America—

WARREN BUFFETT: But I would love to have owned a bank. If Berkshire could've owned 100% of a bank we'd love to own it but we can't do it under the bank holding company.

BECKY QUICK: Would you like to be a bank holding company?

WARREN BUFFETT: Well, that means we can't do all the other things we do. So we got taken out of that in 1970. We had just bought a bank in 1969, and we had to get rid of it in 10 years. And there's, I don't argue against regulation of banks, believe me. But that particular option has been taken away from Berkshire and it I think it's probably a good idea to taking it away from corporate managements generally.

BECKY QUICK: Why'd you keep Bank of America?

WARREN BUFFETT: Pardon me?

BECKY QUICK: Why did you keep Bank of America--

WARREN BUFFETT: Well, wait, A, they invited I mean I invited myself in many years earlier, and they made a very decent deal for us. And I like Brian Moynihan enormously. And I just don't wanna, I don't wanna sell it. But I did sell banks that we'd owned for 25 or 30 years. And if they asked me why I did it I told them, but and I liked the people. I just think the system isn't set up quite right in terms of connecting punishment to culprits on something that's an important, it's incredibly important that your banking system run well in a country. It just isn't gonna work

…king system that works. And you don't want 'em to create periodic crises unnecessarily.

BECKY QUICK: Okay. We're not taking a lot of breaks today, but we will take one right now. But we do have more coming from Warren Buffett. But, Joe, we'll send it back over to you.

ANDREW ROSS SORKIN: Yep. Much more still to come with Warren and of course we do have the 8:30 a.m. release of the Consumer Price Index. But if you've missed any of today's interview with Warren Buffett, check out our daily podcast. Follow "Squawk Pod" on your favorite podcast app and listen anytime. Stay tuned.

COMMERCIAL BREAK

JOE KERNEN: Welcome back to "Squawk Box." Futures little change since what we saw when the show began up 76 on the DOW right now. The NASDAQ up just a little, four points, three or four points and the S&P up. There's the 10-year at 3.43%, two-year back above 4% just barely. Beck.

BECKY QUICK: Joe, thanks very much. We are in Japan, in Tokyo, with Warren Buffett, the chairman and CEO of Berkshire Hathaway. He's been talking about the financial crisis or I don't know if we'd even call it a financial crisis but the situation in banking right now, where things stand. Warren, you had said that you wouldn't necessarily, no depositors are going to lose money.

WARREN BUFFETT: Exactly

BECKY QUICK: But shareholders might. And you could also see bond-holders losing money.

WARREN BUFFETT: Well they will in many cases I think.

BECKY QUICK: Alright. So let's talk about the assets that are out there though. You've got assets now from Silicon Valley Bank, from Signature Bank that are now the responsibility of the government who's trying to auction off some of these things. You've got people asking questions about what comes next if this sort of pig in a python continues to work its way down. If that's the case, commercial real estate has been brought up as an issue of a looming problem, particularly since 80% of commercial real estate loans are made from these regional banks where most of the problems have been. What do you think about that?

I think that they that there will be problems when and, you know, people a fixed rate in, locked in for a while when the fixed rate goes away and they gotta reprice it now has got a problem. And the holder of a 30-year Freddie Mac or Fannie, they've got the best deal in the world. And they should. I love the program. But—

BECKY QUICK: You mean somebody who has their 30-year mortgage—

WARREN BUFFETT: Yeah, who has the mortgage. But the reason it's for the very fact that it's very advantageous. The person who has the mortgage means it's a very dumb holding for banks. But I also believe in the system that produces I think net the country is better off because it but I don't wanna hold any 30-year mortgages myself. And the idea that if you've got a 30-year mortgage, you personally, you can call off the deal 10 minutes later, and if, and if the banks got a bad deal they're stuck with it for 30 years. Berkshire cannot make the deal with our credit than you can make if you qualify for making a Freddie or Fannie Mae. I think that's a good thing for society. I don't think it's a very good investment for banks. But banks have a good enough business, if run right, that they can do some things like that. And they but I wouldn't I still wouldn't do 'em myself. And we will see people well, it gets back to that old story, you know, when it, when the tide goes out you learn who's been swimming naked. And, you know, we actually ran into a nudist colony here, I mean in terms of banks all over do that sort of thing. And they can handle losses. But to say that because you can hold a majority that therefore it's safe, well, what if, you know, the prime rate, what, the 21.5%, you know, in the 1980s who knows what can happen and what you're paying on your deposits? And people really know now what they can get. They're, you know, the idea that you've got this kinda lazy money and people are sitting around with money and zero you're telling of every day on CNBC, you know, "Go shop around and get the best rates you can for you money." And so unlike the physical world I mean, in the physical world you know how fast sound will travel. It will travel the same speed as, you know, 20 years ago or 50 years ago. And you know, you know if an apple falls from the tree how long it will take, you know, basically. But in economics, the equation changes every time because of the experience of the previous time. So things that seemed to make the mistakes of 2008 and 2009, they affect how people behave subsequently, and 2023 is a different world. And it isn't like light travels at the same speed or anything like that. And people have adjusted so that lazy money in 2008 doesn't exist in the same way at all. And we'll see how it plays out. But, you know, it's our job at Berkshire, for example, and in all our businesses to not think about, you take cognizance of what's happened in the past, but you have to worry about things that people haven't seen yet. And, you know, the people that have run banks the wrong way, their n the previous segment, and if anybody's called in with their million dollars …d—

BECKY QUICK: Okay. Let's go back to that. For anybody who's just tuning in, you're saying that you will put up a million dollars against anybody who wants to take the other side of the bet that no depositor in a U.S. bank will lose money—

WARREN BUFFETT: In the next year—

BECKY QUICK: Within the next year—

WARREN BUFFETT: And in a year from now whichever one of us has won gets to decide where the, what charity the $2 million goes to. So some charity's gonna win just like on that hedge fund bet I made a few years back. But I'm betting on what is certain to happen politically. It isn't the law now, but it'll get changed. I will bet on the fact that the United States will not suffer, ruin the world by messing around and not finally changing the debt ceiling. And why, you know, the Congress we elect to do all kinds of things, and they're overworked in all kinds of ways why spend a lot of time -- on that and make hay out of it on one side or the other, depends who's in, who's in charge, I mean, it's just silly. And I'd rather have the government, you know, actually focus on things like they did back in the New Deal, which my dad hated, but which social security came out of and the FDIC came out of. These things really improved the situation of the world, and they proved, they improved America. And I've got the advantage of hindsight, and I believed in it. And really, you know, since I was 11 years old I just said, "Bet on America and figure out a way to be in the better businesses." But even if you're in the average business, you know, it's just the way we still work despite all our common sense. And but we can work better.

BECKY QUICK: Alright. Back to commercial real estate. We have had lots of investors in commercial real estate who have come in and said that this is going to be a crisis point, that the government is going to have to step in that something should be done because there are so many commercial real estate loans that are coming due between now and 2025 and that they won't be able to get credit from the banks in the same way to renew or to once those maturities come due to refinance.

WARREN BUFFETT: Well, let's say they lose $100 billion in the banking system. Most of the banks can take their loss, their share of that loss. And a few of 'em, because they did other things, you know, their shareholders will end up losing the money, but the depositors won't lose money. But if you lend money to somebody and it comes due and they can't pay, you know, the old story exactly what happens in, you know, whether it's in commercial real estate. rates are 2% or we were lending money out at four basis points at Berkshire to the federal government not much more than a year ago, year and a half ago or something like that. And if those rates change, let the person who bet that they wouldn't change lose money. I mean, that's, you know, if you make mistakes in business there's people, plenty of people make mistakes. You pay for 'em. If you've got a big profitable business on top of it, you know, which a good many banks do, you take your losses and you keep going on. I mean, banks can take a lotta loan losses, but they can't take something that wipes out their capital and expect the world to ignore that fact.

BECKY QUICK: Meaning that you don't think anything needs to be done on the commercial real estate front that —

WARREN BUFFETT: No, I think those are people that the people who loaned too much money should take losses. And they're and they're getting properties handled handed back to 'em now, I mean, you know, within the last month or six weeks—

BECKY QUICK: The banks are.

WARREN BUFFETT: Yeah. I mean, they've got some office buildings in Los Angeles and, you know, Blackstone walked away from something. I mean, and if you get a nonrecourse, you know, everybody who goes in the real estate business is told the first rule, the second rule, the third rule is never sign your name to anything. And so you have nonrecourse mortgages and they're gonna walk away and the bank's gonna get stuck with losses. And maybe they'll hold the property a long time and it'll come back and they, I mean, there's all kinds of ways that if you got capital strength you may, you may decide well, I'll just hold it. And but that money is sterile for quite a while, and that's part of banking. I mean, you expect to lose some money in banking. It's not a sure thing on every loan and you build that into your calculations, and then you have capital that protects your depositors from it eating into their money. And if it does eat into their money then the FDIC which is in effect really a mutual insurance company but very peculiar sort essentially spreads the losses among the continuing banks by higher FDIC assessments in the future.

BECKY QUICK: We've had some people in commercial real estate who say who make the point that it's not just commercial real estate but other places where the economy is turning over, where inflation is coming down, that the Fed is doing too much. What do you think of the job the Fed is doing right now—

WARREN BUFFETT: No, I do not think I could run the Fed as well as Jay Powell's run it. I think Jay Powell's been a terrific and part of the job well, look at Paul Volcker back in the 1980s. I mean, people were sending him, you know, I mean, he was he needed Secret Service protection and everything else that but in the end he felt his responsibility was to do the right thing at the Fed, and he didn't give a damn about what anybody wrote about him or anything else. And I think that he's one of my heroes, and I think he's one of Jay Powell's heroes. And I think Jay Powell is, did the same thing actually in March of 2020 when we went into the pandemic I think at the annual meeting that year I said, you know, that he was a hero, and he is a hero. And you have to, you have to act, and you have to act on insufficient information. And you've got a ultimate responsibility to the American public. And it doesn't mean you can stop recessions. It doesn't mean that you can turn bad loans into good loans or anything else. But it does mean that you gotta keep the system working. And the system came close to stopping. And if you read a book called Trillion Dollar Triage, you can get it on a day-by-day account and people don't know how close it was. And Jay Powell did not call for studies or position papers and, you know, lengthy debate and everything. You just don't do it. You act. And that's what Paul Volcker did, and I thank heavens, you know, Jay Powell was there. I mean, you could've gotten a very different result in March of 2020 after the pandemic broke out.

BECKY QUICK: Did the Fed keep rates low for too long after that?

WARREN BUFFETT: Who knows, who knows. We won't know I don't, I don't know what they precisely should do. Nobody does. And they follow conventional wisdom and all of that, and sometimes, sometimes it works out and sometimes it doesn't. But since 1942, you know, we've made all kinds of mistakes in this country and we'll continue to make 'em. But somehow the system works pretty damn well. I'd rather own stocks and bonds over many years. I'd rather own part of America than try to squirrel my money away somehow other place, you know, maybe in Switzerland, Credit Suisse or something like that. It just people are they don't really get any wiser about this sorta thing. People somebody yells fire, they're gonna run for the door. I mean, and it's built into fear is so easy to arouse in people. And you talk about fear about their money and they don't really understand the system necessarily or anything of the sort. And they can actually, by their own actions then, create what they were afraid of. It's a very interesting phenomenon. And it actually you have, my dad hated Franklin D. Roosevelt, but so I grew up first 10 years of my life I couldn't get dessert at dinner unless I said something nasty about Roosevelt or something. But over the years, you know, when Roosevelt said, "The only thing we have to fear is fear itself," he was 100% right. When he closed the banks and said, "I'll open the good ones a week from then," t an appropriate confidence. And now they've really got an appropriate …e didn't have an FDIC and we didn't have an FDIC that was required for every bank. Lotta banks fought the idea. And now we've got a system that works, but people are still scared when they get scared. And it being scared is so contagious. You can't imagine what it was like that weekend after Silicon Valley. I mean, you know, the guy that drives me around because I can't see that well and, you know, all he was talking was banking, you know. And he what should he do and it's unnecessary fear is a terrible thing to give people. And Roosevelt and the New Deal really wanted to get rid of that. And it here we are X years later and we've got a mechanism that's so much better than we had going in, but people really don't quite understand it. And maybe, you know, maybe it takes the president of the United States to just go on and deliver Roosevelt's message and make it more clear to people what we really do have and what they need to be worried about and what they don't need to be worried about. But of course if you're trying to win an election next time you tell people, you know, that if you're out of office or you're out of control, you know, tell 'em how terrible the other guy is for getting 'em into this problem. And that's gonna always live with us.

BECKY QUICK: So you look around and you're not worried at this point?

WARREN BUFFETT: Well, at 92 I've got other things to worry about. No, I'm not, I don't worry about our ability. There's things I worry about. Sure. I worry about the nuclear threat. I worry about a pandemic in the future, all kinds of but I don't worry about 'em because I can't do anything about 'em. But I actually that's what I originally thought my money could be best used for, but I don't know any answers now after 40 or 50 years of thinking that way. But I'm not, I don't worry about no, I don't I never go to bed worried about Berkshire and how we'll handle a thing. If I'm worried about Berkshire I should get, I should figure out something different to do about what Berkshire is doing. But Berkshire is my responsibility and I I think I was very, very, very lucky that Berkshire happened to be in America and I happened to be an American. And I was born in 1930 and I've been in a golden age ever since I was born. The GDP per capita's up, like, six-fold or seven-fold. In one person's lifetime there's never been anything like that in the history of mankind. And so and, you know, we love to complain about wherever we are, but, you know, most people don't work on Saturdays and don't work on Sundays and when I was a kid everybody worked on Saturdays. And I mean, it the world has changed so much for the better in terms of, you know, how well off people are compared to any other time in history. If I'd been born 150 years ago and I went to the dentist, I mean, you know, they'd pour whiskey down me and all kinds of things. There's just all kinds of improvements. And but it's man nature to be p and you could do better. And that's just built into the system. But that …as a kid, and it's the case today.

BECKY QUICK: Joe's got a question. Joe?

JOE KERNEN: Yeah. I love his sort of the his oblique references to his dad. I like that Warren. I think sounds like a real solid Nebraskan though. I think I would've I don't know, I would like to have had a couple of domestic beers with your dad I think. What I was tryin' to figure out, Warren, is in your long life where you've seen a lotta different business cycles and you've seen hyper-inflation and you've seen, you know, secular disinflation last forever, what do you think happened this time to get to 40-year highs? It's obviously pandemic-related and supply chain-related, but do you ascribe anything to the Fed enabling too much fiscal system, profligate spending by the federal or by the government in general? Do you think that added to it, the increase in the money supply? Or what where did it come from? Why did we, what engendered it this time around? And how bad is it, how long-lasting?

WARREN BUFFETT: It's fun sending money out to people if you wanna stay in office and you want their vote. And that's always been a problem of our political system and around the world. And some companies just or some countries have just, you know, printed it, where they have billions and billions of this currency or that that and inflation is a constant threat to a country that but so far the United States has done pretty well of that. Now, you know, it's still the case that the price level is probably 15 times what it was when I was a kid. So but the interesting thing is, you know, the price of Coca-Colas may be twice or something like that main cost is the container. And the price of the New York Times has gone up 40 for one or 50 for one. I mean, there it's a very uneven thing and commodities base commodities tend to move less, but oil was $3 a barrel when I was back when I was managing money at first and there had been 10 cents a barrel in the east Texas situation in 1931. You know, now it's $80 a barrel. And, I mean, I said in the annual report that Berkshire can offer some protection against inflation, but the effect of inflation can be wild. Some people that if you owe a lotta money all of a sudden you don't owe anything. You could earn it back in five minutes. And on the other hand, there's just all kinds of things. But it's not a good thing for society. And I think that the United States has generally done a pretty good job of keeping inflation from getting out of control. And I think when Paul Volcker came in that was a seminal moment in U.S. history because it was close I mean, cash is trash and prime rates of 21.5% and paying interest of $200 an acre on farmland in Nebraska when the crops you could produce would only produce $80 an acre. And it cost banks to go broke. And I bought, I bought

And Volcker who knows what would've happened if he hadn't come along. ... send money out if you're in politics. It's, you know, if you tell every one of your constituents that they just won the lottery, you know, and here's $5,000 or $15,000, something's going to happen. You're not gonna have more goods and services produced immediately that can sop up that money and, you know, it's fiscal policy in that case, and we are spending a lot more than our government is spending a lot more than it's taking in. And that's a lotta fun if you wanna stay in office, but it isn't necessarily the best thing to do for your kids.

JOE KERNEN: Nope.

BECKY QUICK: We're gonna talk a lot more about inflation because, Joe, we've got that CPI number coming up in just about 35 minutes' time. But I think we have some other business to get to before that.

JOE KERNEN: Yeah, we do. And I wanna talk, wanna talk about Occidental and their big piece yesterday on carbon count. I wanna talk about all that stuff with Warren too and the transition. And we got a whole hour left. And in the middle of that we'll get that CPI number, but we'll have much more from Warren Buffett live from Tokyo. Plus the countdown to the March Consumer Price Index. We do have that coming right at 8:30, 33 minutes away.

COMMERCIAL BREAK

BECKY QUICK: Let's talk a little bit more about where we left things with that inflation number. Again, we are with Warren Buffett in Tokyo, Japan right now. Warren, you could talk about inflation and what's coming and what's going, but we've got the CPI number coming up. And I think you probably have better information than Janet Yellen or Jay Powell, just in terms of what's happening on a day-by-day basis. You have so many businesses that Berkshire owns outright. You have so many big companies that you own a major stake in. What do you think about inflation? Have we seen the worst of inflation? Is it rolling over? Is it coming down steadily?

WARREN BUFFETT: Well, inflation is always a possibility. And by inflation, I mean extreme inflation. It's a possibility. I mean, just look at the countries and what they've done. I mean, I don't know how many times and they almost lead—well, they can lead to terrible things. Led to terrible things in Germany. And you want people to trust their money. I mean, if they really have a fight for money, the economy doesn't work. But in 1942 when I bought my first stock, I mean, we were going to pour money into people's pockets, and they couldn't buy anything. They couldn't buy cars. They couldn't buy – I mean, they couldn't buy washing machines or anything ded in August of 1945. And for a little while the fact that there was this all ound and people wanted to buy things because they hadn't been able to buy for three or four years, and women had gone to work and all of that sort of thing, and I think the inflation rate went from something like 1% in January of '46 to by the end of the year it was running at 15% or something. I mean, if you give people a lot more money, put it in their pockets and you've it in corresponding goods and services. Things were not – money is going to become worth less, not worthless, worth less. And that's happened periodic – I mean, we've had incredible inflations in certain countries. If you look it up on search, you know, the greatest inflation, we've had it post-World War II in various countries. I mean, and there comes a point when it gets out of control, it is out of control. And it screws everything up. And it's not good for society. There are certain people who profit on it, obviously, anybody that's borrowed a lot of money. But it is not good for society. And government has the responsibility for making sure that they issue the currency. And it's the only thing that's legal tender. And, you know, that you need to have and I think Charlie mentioned it even on the -- currency is one of the great inventions of mankind. You don't want to go around all the time trying to trade your services, you know, in terms of giving somebody eggs and trying to get back a watch, and then trying to trade your watches. I mean, you want something that is – you need something in a society that's legal tender. But it's important how you treat it. And the United States has been pretty good at it. Really quite good. But, you know, if you look over the years since I've been investing, I mean, it, you know, there's been a 90%+ loss in purchasing power.

BECKY QUICK: But it sounds to me like you are more worried about inflation than recession. Is that fair?

WARREN BUFFETT: No, I think either one can cause a lot of trouble. And recessions can turn into depressions. I mean, you know, I mean we've got a great, great country. And it gets messed up by depressions. I mean, I lived through – I was born in 1930, and the Dow didn't get back to the level – it was higher than when I was born for about five days, and then I got out of college before it got back to that point. And it wasn't that the American people had turned bad or anything else, but we got something that fed on itself, and banks failed. And, I mean, you can disrupt an economy a lot easier than you can put it back together again. And we've had some close calls on that. And I think we've had some, I think in 2007 and '08. I mean, I think Hank Paulson said, you know, that we'll use the economic stabilization act, which was an act back in – and all of a sudden we'll get guaranteed money market funds. And it was a good idea to do. Whether he really had the authority to do it, I don't know. But he was sure as hell the right guy in w do we mess it up? How do we mess it up? Should the Fed keep raising y? What do you think?

WARREN BUFFETT: Oh, basically, fiscal policy scares me more than monetary policy.

BECKY QUICK: Meaning that we—

WARREN BUFFETT: I think it is easier to obtain votes if you give people money. And I think that, just like I want to keep my job at Berkshire, I want to get elected next year. And fortunately, I have enough stock and everything. Yeah. You know, I can do it. And if I was in a super, super, super safe district, maybe I would vote my conscience in Congress. But who knows how well I'd behave unless I was there. But my dad was in Congress. And I got to view how it behaved then, and I don't think its behavior has improved, you know, since 1942 when I first went there and had lunch once with Sam Rayburn one time.

BECKY QUICK: So you think that Congress is going to screw it up by continuing to spend more money –

WARREN BUFFETT: They can.

BECKY QUICK: And Jay Powell is going to be in the position of having to continue to raise rates?

WARREN BUFFETT: I don't know what they're going to do. But if you ask me, the things that are – I think about in terms of taking care of millions of people's savings who entrusted me – that's one of the calculations I have in my mind. And I have said in the Annual Report that we will ride along with America. And we can't necessarily predict how we would come out in a wild inflationary period, but it'd certainly be better than you would do in the unit of currency. And that's the best I can do. And believe me, I think about it, obviously. And we own a lot of good businesses. And the railroads will continue to run, no matter what the currency does. You know, the insurance company will continue to insure people, and will Dannon continue to produce Garanimals for kids. I mean, we are a cross-section of America's economy. And we're going to behave in a way that we'll be the last person standing.

BECKY QUICK: All right. I'm going to ask you one more time, because I don't think you want to answer it. I know you don't want Jay Powell's job, but if he asked you if he should keep raising rates, what would you say?

WARREN BUFFETT: I would say he should do whatever he thinks is in the best interest of the f he says, “What do you think is in the best interest of the United States?”

WARREN BUFFETT: Well, I'd say that that's why I didn't ever want to be Chairman of the Fed. I mean, it's a very, very tough job because you have to deal with Congress. You have to deal with banks. You have to – I mean, the biggest problem is in the end, Congress can torpedo your job. And I'd hate to have a job or something that somebody else can do-- can essentially nullify any actions I take. And, you know, Paul Volcker faced that and I looked at him one time in the 1980s. I look up like that because I mean, he was even bigger looking in person. And I said, you know, “What can you do under that clause,” or whatever that was in the – and Paul effectively said, “I'll do what I need to do.” You know, he says, “What are they going to do, come down and arrest me,” you know, basically? And take me to the Supreme Court, going to put me in jail, or something,” You know? I mean, he felt that it was his job to do what was right. And I think Jay Powell feels exactly the same. And actually, I feel most people in that job, overwhelmingly, they want to do it, but I think some of them haven't been as smart about it as others.

BECKY QUICK: Hey, Joe, you want to take a crack?

JOE KERNEN: Oh, I was going to shift gears a little bit, Becky, although obviously, energy prices have a huge effect on inflation, Warren. But I was struck by the article on OXY that was in The Journal and about how much money is being spent by the company. I think with your blessing on carbon capture and I guess I'm just trying to figure out how you feel we should transition. How long it should take, how much hydrocarbon production we need to continue with. There are, you know, depending on a continuum, you can find people that think we should spend $20 trillion over the next, I don't know, 15, 20 years on the transition, which would obviously impact growth around the world. There's got to be a way to do this where we can continue to grow. And I'm wondering, you know, if you think we're doing it effectively. Is OXY a model for how we – Occidental a model for how we should be doing it, in your view, Warren?

WARREN BUFFETT: Well, I certainly think Vicki Hollub at Occidental is an extremely competent, good citizen of America. And I really like – she understands oil. And she understands political realities, and she understands what is happening between the – below the surface of the country. And she is extremely concerned with ways to have carbon capture. I mean, but I think your figure of $20 trillion is way low. I mean, if we're producing – the world needs 100 million barrels a day or something like that at present. And you've got this enormous problem that the United States put a good bit of the carbon into the air. And then they say to the rest of the world, you know, “You can't do that. And besides that, you ought to chip in and – I mean, it's a very the carbon start saying to everybody else, "You can't have any," you ...t's an enormous problem. It's an ever-present problem. And you really need somebody that understands the dimensions of it and what can be done with carbon capture. But you will not—you will be producing more oil in five years from now, or about the same amount. And if you spent trillions of dollars out, you'd still be needing it. You can't change the world that fast.

JOE KERNEN: Right. I guess I've heard Charlie talk about it. I think he thinks that maybe some of the hysteria is overdone on the entire subject. I mean, we could spend an awful lot of capital and GDP globally on dealing with this problem. I've asked you this before in terms of your insurance company. At this point, how much worse are your payouts for adverse weather events, compared to historically for what you've seen?

WARREN BUFFETT: Well it's essentially nothing. And we are writing more cat cover this year actually than we were writing last year because the prices are somewhere better. And actually, you know, I don't know a damn thing about hurricanes, but in terms of, you know, El Niño, or whatever it may be, it's somewhat more probable that we have a good hurricane season, I mean, a good one meaning a low one, than last year. But there's all kinds of chance events, and that's what we insure people against.

JOE KERNEN: Can you say with—

WARREN BUFFETT: --inflation—

JOE KERNEN: --without — can you say without hesitation that you need to charge much higher premiums because these things are happening much more frequently? Because that's – we're considering in terms of –

WARREN BUFFETT: No, no, no—

JOE KERNEN: No?

WARREN BUFFETT: We're charging higher—

JOE KERNEN: Go ahead.

WARREN BUFFETT: We're charging higher prices, Joe, because prices got too low. I mean, we're – the price level for hurricane insurance is not – I mean, if you take Florida as an example, ou know? And there's all kinds of reinsurance contracts. But those have what they were some years ago. And we didn't think we were getting paid enough. But now prices have moved back up somewhat. And we, you know, Ajit calls me and says, "How much are you willing to lose in a single event in Florida or in Texas, or an earthquake" and I say, you know, "We could lose $10 billion, and nobody else can play in that game." And so now it's not as attractive as it's been at different times. But the auto insurance, which we've done big through Geico, the average price of our policy when I went in in 1950 was, I don't know, 50 or 60 bucks, and now it's over $2,000 a year. And we even went the whole auto insurance industry went from pricing the stuff for a yearly policy, to changing it every six months. I mean, we are not issuing any 20-year policies or 30-year policy. And it's not a special risk for insurers. You just keep adjusting your prices to the risk as the risk changes. And you can argue, I sure as hell don't wish it on anybody, but you can argue inflation is basically good for insurers because you write – it writes bigger premiums on much bigger coverages. And that's actually happened in auto insurance, well, what with the autos have gotten safer, you know, and everybody isn't driving terribly compared to the way they drive 20 years ago, the accidents per 100 million miles driven, you know, has gone down a lot. But the price of insurance, auto insurance, has gone up, like, 30 or 40 for one. And it went up – it was going up at a fast enough rate that insurance companies said, "We're not going to say give you a one-year policy. We're going to give you a six-month policy." If it was going fast enough, we'd give a one-month policy or a 30-day, a 15-day policy. You know, we are not committing ourselves as to what insurance is going to cost, in respect to climate 30 years from now. And it is not a special risk of the insurance industry. People don't get that, but it really isn't. I mean, and we're backing it up with money every day.

BECKY QUICK: Warren, let me just ask you about the economy. We have heard recently from Jamie Dimon in his annual letter at JP Morgan, he says, "A recession is much more likely now." Janet Yellen was just speaking I think in the last 24 hours, although it's hard to track from here when things are happening, has just said in the last 24 hours I think that, "The U.S. is in better shape now than it was six months ago." Which of those camps would you put yourself in?

WARREN BUFFETT: Well, I know what a lot of different businesses are doing. And I just got report from one of them that happens to be in the retail-related business. And in any event, you know, it was -22% in February from a year ago.

BECKY QUICK: In sales?

WARREN BUFFETT: They didn't think that was going to happen.

you mean or in profit?

WARREN BUFFETT: In sales. Profits are down a lot more than that. On the other hand, some of our businesses are still doing fine, but they all are reporting that the new, you know, some of them are living off of orders that were placed months earlier, and that sort of thing. But it's a tougher world out there in a great many businesses. Not in the insurance business. Insurance business should be better this year than last year. That doesn't mean it will be because we can't predict how everything happens. But on a probability basis, it should be better than last year. And the railroad business is down in carloads carried. I mean, it isn't dramatic and, of course, we've got a utility business and that doesn't read very much with things. So but overall, I think people that run our businesses that do have any sensitivity to the economy are surprised at where they are now compared to where they felt they were going to be six months ago. That doesn't mean the world is coming to an end or anything because – 58 years I've been running Berkshire, I mean, we've run into all kinds of problems. But that's what business is about. And we run our business so that we don't depend on everything being hunky-dory always. We run it so that we will be the last man standing. And that's the way, if millions of people are going to give me their money and tell me to take care of it, we're going to try and take care of it. And if we don't make as much money as we might've if we'd leveraged more or done other policies, so be it.

BECKY QUICK: But you think a recession is more likely now than maybe you would have said six months ago?

WARREN BUFFETT: Well, I think most of our management would say that they are surprised at where they are now, compared to how they thought they were going to feel six months ago at this point.

BECKY QUICK: And that –

WARREN BUFFETT: In a lot of businesses, but not in the insurance business, you know? And I think the people at the railroad are somewhat surprised that carloadings aren't a little higher, rather than a little lower. You know, somewhat lower. But most of the stuff we carry is essential. But it reflects what's happening. And, of course, supply lines were so disrupted everything a year or two ago that, you know, no economic figures are pure. But I'm just telling you my impression. And I look at the numbers every day. I mean, I look at our Easter sales day by day, at the candy store. And you know, I look at California versus Washington, versus Oregon. And I get them the next day. I mean I love figures, you know? Say it doesn't really do me any good to figure or not, ms of the potential for a credit crunch coming through what the banks are w, there's been a lot of speculation about what that could mean to the economy. Is it going to mean a 0.5% hit to GDP? Is it going to mean a 1% hit to GDP? What would you guess?

WARREN BUFFETT: I would say that I've been in business, running Berkshire for 58 years, and I've never opined an economic forecast of any use to the company. And all you have to do is keep running every business as well as we can, and we got to keep plenty of cash on hand so that people are going to keep making intelligent decisions, rather than those forced upon them. And that's all we know how to do. And if I depended in my life on economic forecasts, you know, I don't think we'd make any money. I don't know how to do it. And, you know, people want to get them, so they get them. But it has no utility. When I find one of our companies has hired somebody to tell them what's going to happen in the economy, I mean, they're throwing' their money away as far as I'm concerned.

BECKY QUICK: All right. So you had 120—

WARREN BUFFETT: Other than that, I'm very tolerant, anyway.

BECKY QUICK: Berkshire had $128 billion almost in cash at the end of the year, according to—

WARREN BUFFETT: Cash in Treasury bills.

BECKY QUICK: Treasury bills—

WARREN BUFFETT: And a bit in money market, government bonds only, money market funds. But we've never – we don't own commercial paper, and we didn't in 2008. We, you know, we want to be ready for anything that happens.

BECKY QUICK: Do you have more or less now? Where are we? What three and a half months later.

WARREN BUFFETT: Yeah. Well, we laid out, you know, $7 billion plus in terms of Pilot. And we spent $4 billion buying in stocks. That's $11 billion that's gone out the door. But we'll know the figures and, you know, exact. But I think we are probably up on cash and Treasury bills, yeah.

BECKY QUICK: Just because more keeps coming in?

WARREN BUFFETT: The money comes in every day. And, you know, we are in the it money comes in, and we spend the money that we had for – we don't r anything like that, crazy thing. But we have a lotta money coming in. And the – grows and insurance, and we'll continue to have a lot of money coming in. And we'd love to deploy some of it, but we also want to have enough money around so the worst can happen and we're looking at as an asset to the United States recovery, rather than something that caused the problems of the economy.

BECKY QUICK: And would you say you're doing anything differently at this point, just in terms of, all right, you're not going to worry about economic—

WARREN BUFFETT: No. We haven't changed – we don't change what we're doing in terms of trying to improve the railroad or what – I don't want to give economic forecasts to our managers in how they run their business. I just wanted to make sure that they have happy customers, and that they're cost effective, and that they behave like good citizens, but that they, you know, they ask me and before they spend a lot of money in terms of capital allocation.

BECKY QUICK: Warren, if you don't mind, we're going to pause here because we do have that big CPI number coming up. We're going to have more with Warren in just a little bit, but right now Andrew, we'll toss it back over to you

COMMERCIAL BREAK

JOE KERNEN: Welcome back to "Squawk Box" on CNBC. We're just seconds away from the March read on the Consumer Price Index. Polled forecasters expect a monthly increase of 2/10ths of a percent, or 5.1% year over year. That would be down from last month's gain of 6%. The futures have been green for most of the morning. Less so, maybe a little bit now, 61 points on the Dow, three on the NASDAQ, five on the S&P, if you're in a car, on the radio. And the ten-year note, give you a quick read on that. The ten year, 3.447 and the two year, 4.071. We've done this before. We've seen this movie before. Rick Santelli is standing by at the CME in Chicago. And Rick, in the past, you have emphasized that the actual number that we see, if it's, like, a tenth hotter than anticipated, you historically look back at where it was and how far we've come to give it some perspective a lotta the time. What you think you might be doing that again today, or 'cause people want it to continue to cool. They don't want it to just be lower than it was a year ago, but still stubbornly high. Do you think we get any relief today?

RICK SANTELLI: Yes. As a matter of fact, if you look at the year over year numbers, since they're peaked, so the peak was in June, for year over year headline, the peak was in September of year

…ews? You know, CBO tells us that every man, woman, and child owes $3 …now, $1.1 trillion fiscal year through March, which is well ahead, almost a half-trillion, ahead of last year. So spend, spend, spend makes the Fed probably have to say, "Higher, higher, higher" for longer. And the numbers are out. Our March release of Consumer Price Index expected up 2/10ths of 1% is up 1/10th of 1%. High watermark was 1.3. That was in June of '22, the highest since '05. And since then, the lowest has been zero. That was July of last year. If you look at food and energy, expected up 4/10ths, exactly up 4/10ths. High watermark. April of '21 up 8/10ths, highest since '81. Since then, the high or excuse me, the low has been up 2/10ths in August of '21. The biggies now, 5% year over year. That was expected to be 5.1, in the rearview mirror still is 6%. And every single month, as I said since June, when it peaked at 9.1, July, August, September, October, November, December, January, February, now March, have been lower. And if we look at 5.6 to year over year, core may be the most important number here, here's where it gets interesting, Joe. 5.6 expected. 5.5 in the rearview mirror. Gone down every month since September, when it peaked at 6.6. This is the one month where it had popped 1/10th higher, and it breaks that streak. Now, many have said it doesn't need to be linear. I totally understand that. We could look at 1/10th. But if you take a bigger picture, we have made progress. But it really does become, and I'm so interested in how the Oracle of Omaha looks at this, it really does now become an issue of spend, spend, spend, versus does start Fed tighten? How do they view the banking issues? And what—

JOE KERNEN: Rick—

RICK SANTELLI: Rate is going to be high enough until we know what's going on with the budgets.

JOE KERNEN: Incredible—

RICK SANTELLI: Yes, go on.

JOE KERNEN: Incredible moves in gold in the dollar. It all sort of looks like it might give the Fed some breathing room, that the—

RICK SANTELLI: Oh, rate has—

JOE KERNEN: The ten year's down--

RICK SANTELLI: Dropped like a rock. We're--

h. Yeah.

JOE KERNEN: Futures went up stock futures went up immediately. Gold went up immediately. It all sort of, there's a dollar—

RICK SANTELLI: A two-year note, a two-year note is at 392. It's down, what, 14 basis points? Yes. And we've gone from what, we're at 337 now in the ten that was well over 344. So Joe, yeah, the markets are speaking—

JOE KERNEN: Immediately.

RICK SANTELLI: Loudly. I think we need to go back to Becky. At least I'm going to toss it back to Becky. We're all anxious to hear how Warren Buffett's going to respond to the big pop in the futures for equities and the big drop for interest rates. Becky?

BECKY QUICK: Alright, Rick, thank you very much. We were listening intently to all of that. Warren Buffett is standing by too. Warren, what do you think?

WARREN BUFFETT: Well, Becky, on Good Friday, I was working. Marc Millard, who handles all the bonds and stock prices for the whole for all of Berkshire was there. And I knew I was leaving town on Sunday night. And Marc says, "What do we do next week?" And I said, "Here's what we do." And on Monday, we always buy Treasury bills. We bought about 2 billion of 'em. We got a 499 percent bond equivalent yield. And but the only question is whether we buy three months or six months. And I tell him to use his own judgment on that. So Monday, I was here. And he sends me a sheet as to what we did. And I don't change anything. Tuesday, he does the same thing. And net, we happen to be a net seller of 300-and-somethin'-million-dollars, but we coulda been a net buyer of $500 million in stocks. And I am not going to, I'm gonna be traveling tomorrow or, and, you know, he's gonna be operating it on Wednesday. And I'm not changing any instructions to him. He's gonna keep doing what he's been doing. I mean, I we don't make our decisions as to whether to own part of a company for the next 20 years. We don't have any idea what anybody's gonna do next week or next month. And I was buying Berkshire and between 1962 and 1965 of control did we have anything to do with, you know, all kinds of things were happening in the economic markets all the time. And but we haven't changed our course, you know, in 58 years. And we just wanna buy good businesses run by people we like and trust and at a decent price. And we'll keep doing that. And we'll keep buying Treasury bills every Monday, and we haven't missed a Monday yet. And we keep all our money short. We keep it in Treasuries. And we were getting four basis points, which was $40 million on $100 billion worth. And now we get almost be the strongest company you can imagine. And also, to take opportunities when they come along. But Marc, if you're listening, just keep doing the same thing you were doing yesterday and the day before. And I could go away for a couple weeks and I would tell him, "Here's what we oughta do on the buy side. Here's what we wanna do on the sell side, and just keep doing it." And that's what we do. And some periods there was a period about a year ago, I mean, incredible volumes were. We bought 20% of a company that already, the index funds owned, you know, 25% or 30%, Dodge & Cox owned 10%. And we bought 20% of the company in a month or something like that. Now—

BECKY QUICK: Occidental, you said?

WARREN BUFFETT: Yeah, it was Occidental. And we did we were doing other things too. But now it's a different kinda market, and we can't acquire at the same if we're buying Occidental or if we're selling something else. But we'll just keep doing that. That's what we've been doing for 58 years. And I can't tell you what the Fed was doing when I was buying Berkshire day by day, or week by week, or month by month, or year by year. We were buying Berkshire. And, you know, and we've kept buying things. And we don't make stock market guesses. And we don't have a profit by looking at broad statistics and guessing what stock markets or bond markets will do.

BECKY QUICK: No, but you have said that you do pay attention to interest rates, and that interest rates are like gravity on equity prices.

WARREN BUFFETT: There's no question about that. I mean, if you—

BECKY QUICK: So where's the level of gravity? Are we on the moon? Are we on earth?

WARREN BUFFETT: Well, we're in a way different position than we were when it essentially what the option was to get four basis points on bonds. And that changes the value of it changed the value of real estate. Changes the value of equities. It changes everything. But that's all happened in my lifetime in various ways, all the way up to a 21.5% prime, and down to zero, which nobody thought we would ever get to. You can read the economic textbooks of well, by Paul Samuelson, you know, the wonderful man. And it's a 900-page textbook that every kid runs to school with, and you look for negative interest rates in the index, and there's not a word on it. So anything can happen. And we're prepared for anything, but we like to do things. Over time, we wanna buy good businesses. It's that simple. And we always wanna have money.

BECKY QUICK: Andrew's got a question too. Andrew?

ANDREW ROSS SORKIN: Hey, Warren. This is actually a question that sort of moves where the economy may go but it's a question around technology which is I know a space that you don't always wanna go to, but I also know your one of your best friends is Bill Gates, so I'm curious if you guys talk about it. We keep talking about ChatGPT and potentially how that could transform AI, how that could transform our economy in the future. And obviously, there's also lots of questions about whether AI is dangerous and we have the right policy set around it. And I was curious if you've given much thought to any of it.

WARREN BUFFETT: Well, I think it's something I don't understand at all. But Bill did come by about, I don't know, four or five months ago. And he said, you know, "I'm gonna show you the latest thing, what can be done." And he, you know, I actually said "Take the song My Way and write it in Spanish and, you know, and have it encompass my views on what's funny and or what's likely to happen in the economy." And two seconds later, you know, it comes out, it rhymes and does all these wonderful things. And but he told me he said, "It can't tell jokes," which I thought was very interesting. And it just doesn't know how to tell jokes. But it can tell you it's read every book, every legal opinion. I mean, the amount of time it can save you if you were doing all kinds of things is unbelievable. But what I said to Bill is I said, "Just let me know what I can ask it." You know, "How are you going to how are you going to ruin the human race?" And then let me know. Someone unplug it, or whatever I have to do at that point. And of course, it'll be programmed so that nobody thinks they should unplug it or some damn thing. So I don't really understand it. I think it's an incredible technological advance in terms of showing what we can do. But I don't know whether we know what happens. And I was listening who was it the other day that was knows a lot about technology? He just says that it scares him. Well, if it scares him, it scares me in terms of the possibilities of I mean, we've done amazing things, like we figured out how to create an atom bomb back in 1945. I didn't know what an atom was or anything, but the Einstein told me it was gonna change the world, and it changed the world. So I don't wanna change the world too many times without knowing having some idea of the consequences of it. And this, I think this is extraordinary, but I don't know whether it's beneficial.

BECKY QUICK: Was it Steve Wozniak?

WARREN BUFFETT: Pardon me?

BECKY QUICK: Was it Steve—

WARREN BUFFETT: No, it was Eric Schmidt. And it was he just, Eric was saying, you know, about physics or anything else that Eric knows, but I come to the same conclusion.

ANDREW ROSS SORKIN: Look at you, Warren, watching "Squawk Box" from Tokyo last night, it sounds like, 'cause Eric was on talking about that on the broadcast. One other question—

WARREN BUFFETT: Oh, really?

ANDREW ROSS SORKIN: For you, Warren, because we always ask you. I don't know if that's where you were watching it, but he was talking about it just yesterday with us. But separately, we always, we always have—

WARREN BUFFETT: No, no, this was a couple of days early.

ANDREW ROSS SORKIN: A Bitcoin question for you, but I've been thinking about, oh, okay. I was thinking absolutely this with you, Warren. And I know your views about Bitcoin. And I've been very surprised at how Bitcoin's come back up to close to $30,000 again. You know, when you go back to the Tulip Mania, Tulip Mania went from 1634 to 1637, only lasted three years. And here we have, if you're right about Bitcoin, something that's now lasted something along the lines of 15 years. And so I've been tryin' to understand, if in fact you're right and this is not just rat poison squared, but is not a thing, when it would be unveiled as not a thing.

WARREN BUFFETT: That's predicting when speculation will end or, you know, when the gambling instinct will go away, and when more people wanna get out than are getting in. And I have no way of if I thought I was good at that, I'd figure out a way to make a lotta money on different things. All I'm trying to do is buy good businesses. But I the one thing I know is I, you know, I didn't like chain letters when I was a kid. I thought, "Why in the world should I send along a chain letter the next night when I could start my own?" I mean, it I've seen people do stupid things all my life, and I and I really I empathize with that. I mean, people like to play the lottery. They're gonna get $0.60 back on the dollar, or whatever the number may be. And states essentially the numbers rack it with something that you avoided. And then the government decided it was a source of revenue, and it is very hard to tell people that if they're gonna put a tax on essentially a sure loser for society for the gamblers on the lottery on the whole, that they're appealing to the gambling instinct and you know, it spreads. I mean, people love the idea they're gonna make more money tomorrow. And it really drives 'em crazy if their next door neighbor is making a lot money not knowing what they're doing, and they're just sitting there, and their spouse is saying, you know, "Why is that guy getting a second car and why are we missing this money, and sitting home and finding out that they could have a roulette …nd that had all the appeals of gambling that are used that people that go to Las Vegas, and you can do it in their home, and they have money. And we've had an explosion of gambling, essentially. And, you know, I like to bet on a football game if I'm sitting and watching. Makes it more interesting. But I don't think I wanna make a living trying to bet against the house ever. I wanna if I were to get into gambling, I would wanna own the roulette wheel, and not be a roulette player. But we haven't done that. But people all the time well, actually, on my honeymoon in my first marriage, we, you know, we're talking when I was 21. And we went through the Las Vegas population, about 20,000, a bunch of fellas from Omaha and other places. And I bought the Flamingo after Bugsy Siegel met his maker sooner than he expected. And they welcomed me in because they all knew my uncle Fred. And I looked at all these people who had flown thousands of miles to do something that unintelligent as they could. I mean, they just they couldn't, you know, they thought dice were hot or something like that. And I thought, you know, "I'm gonna get rich in this country. I mean, if that's what people do, I can be smarter than that, I mean." And so I've watched it ever since, and it's fascinating to me. But the gambling urge is so strong throughout the world. And now you've created the perfect condition for it, where states are legalizing gambling and what, you know, what it does to football games. I mean, particularly with just you're just point shaving. You know, which, you know, a guy gets offered a million bucks and it's, like, you know, the White Sox were back in 1920 or something. You know, they did it for a few hundred dollars. But and you aren't even throwing the game. I mean, you're just making sure that the spread is met. It's I don't you're not gonna change the gambling instinct. But when the state has started sponsoring it, it's given a different there's a different climate than before.

BECKY QUICK: You think that the idea of this legalized gambling and it spreading in the states, and everything that's happening right now, you think that's changing the games? You think there is there are situations where spread's not gonna be made, and it's because somebody is doing it, they, they've been paying off?

WARREN BUFFETT: Well, I think everybody in the country spent all their time gambling, you know, flipping coins against each other, you know, somebody would win 20 times in a row, you know every, what, million times or something like that. You have 330 million people doing it. You've got 330 people that have called the coin flip correct or somethin'. I mean, the urge to participate in something where it looks like easy money it's a human instinct which has been unleashed. Was always there. I mean, it and when my dad was in Congress in the House office building, I could go to the elevator and yell, "Sammy," and a guy would come up to take numbers getting rich quick. I don't blame 'em. But I've always wanted to get rich fun along the way. But I don't, I'm not immune to it. I've bet on football games. I made one wager in that the sports book in Nevada when I was out there with a couple friends, and I went up and bet on Nebraska against it. And about ten people got up behind me and said, "I'll have what he's having." You know, it's like Meg Ryan in the movie. And so they had a very unbalanced book when they got through that day, and I got 500, my $550 and then I made a profit of $500 on it and I had somebody else cash the ticket so that's I just it's so human. And once unleashed, you can't put it back in the bottle. And something like Bitcoin, you know, it is something it's a gambling token. And doesn't have any intrinsic value. And, you know, Larry Summers was on and it doesn't have any value. I mean, it doesn't have any value, but that doesn't stop people from wanting to play a roulette wheel, and think that if there's 37, you know, one zero and or double zero and doesn't make any difference. Yeah, it makes a difference. And score's now and that eats up your money if you spend rest of your life spinning around the roulette wheel. But they feature the winners and people get excited about it, and that's why the slot machines make a lotta noise when they're paying out. I don't know, I don't know how to turn back the clock on that.

BECKY QUICK: Let's talk about some investments that you have placed wagers on, and maybe switched your wagers. Taiwan Semiconductor is a stock that showed up in Berkshire's holdings in a big way a couple of quarters ago. And then a quarter later, most of it was gone.

WARREN BUFFETT: Yeah, that was me. That wasn't one of the two other guys. There's two other people that make decisions, each one about $15 billion. And sometimes they get confused with me, they say he's buying this or not. It's one of the two other guys. But that was my decision. And I think Taiwan Semiconductor is one of the best well, it's the best in that field, and it's one of the best companies in the world. It's a fabulous enterprise. And Apple buys a lotta the products from 'em. I mean, they're good and they're coming to the United States. And we're actually I mean, maybe even building for one of our subsidiaries, helping build to sell these for 'em. But I do think that there is a danger there to some, I don't have any idea. There's actually a danger of seismic action, I mean, and where they're located. But that's a low probability and they, you know, they're smart people but would I rather have it, there was a U.S. domicile company than be a subject of who knows what, depending on conditions outside their control? I'd rather, you know, I'd reevaluate that part of it, but I didn't reevaluate the business, the management, or anything of the sort. It is a fabulous company. And, you know, it—

Yeah, sure. Sure.

BECKY QUICK: Stepping in to Taiwan?

WARREN BUFFETT: Yeah. Oh, I think there isn't any question that conditions change. I just don't know what the results of conditions changing. I mean, China and the United States are going to be superpowers, you know, as long as your children live. And, you know, and they will always compete with each other. And they should. And but you can't let it get outta control. And you can't have accidents and all sorts of things. I mean, it, you know, it's a dangerous world.

BECKY QUICK: If you're concerned about China and what that might mean for Taiwan Semiconductor, are you worried about what it would mean for your largest holding, Apple, because Apple does so much with the business there, both in terms of manufacturing and sales?

WARREN BUFFETT: I weigh that in. But Apple is if somebody if you're an Apple user and somebody offers you $10,000 but the only proviso is you'll never be able to they'll take away your iPhone and you'll never be able to buy another, you're not gonna take it. If they tell you if you buy another Ford Motor car, they'll give you $10,000 not to do that, you'll take the $10,000. You'll buy a Chevy instead. I mean, it's an incredibly valuable utility. It that doesn't mean that it can't be misused by kids, and Tim Cook cares about that. I mean everything can be used, fire can be misused. I mean, there but I think that Tim Cook is the one of the classiest CEOs in that he understands the business and he is has a product which Steve Jobs basically invented, but Tim Cook has managed that company in an extraordinary way. And, you know, I love, you know, we've got 100 and whatever we got, we've got 900 million plus, 915 million shares actually. And, you know, it's but people say, "Well, isn't that a lotta money to have?" Well, we've got a railroad worth a similar amount. We've got a utility business worth a similar amount. I mean, it's a wonderful business. How the hell could, we can't develop a business like that. And so we own a lot of it. And our ownership goes up a little bit every year 'cause they buy on their stock. And Tim does not issue it, he buys it in. And we love it.

BECKY QUICK: Meaning you're not selling any Apple shares?

WARREN BUFFETT: Oh, I, no, I, there was one period actually from a tax standpoint it was a good idea to sell some. We sold some, around 115. And it was a dumb sale. I mean, in the end, all the -- some other way. And we actually bought a few shares last year. We got a little, few more shares when we bought Alleghany Corp because they had some important, we only kept two stocks they owned, Berkshire Hathaway and Apple, they happened to own. They had 20. I don't many people happier and useful for 'em. And, you know, you probably got ...e. And Apple what Steve Jobs did with that and other people can do other technical things. And I don't know whether when I look at my iPhone, I don't know whether it's some little guy inside that's doing anything. I don't know the technical aspects at all. But I know that at the Nebraska Furniture Mart, if we don't have the Apple product, people leave the store and go someplace else. And, you know, I've just stood there and watched people. And talked to the people that sell our goods our various products at the Furniture Mart. And, you know, whether the old, whether the young, whether, you know, they wanna have it. And lots of people have multiple products. They have they've been come up with just one new edition after another. And who knows what they come up with additionally but Tim Cook has managed that business. One of the greatest managers, obviously in history.

BECKY QUICK: Let's talk about another company you own that has the, a major China presence. In fact, that's it's only presence, BYD, the electric car company that you've owned for a very long time. You've been selling some of that. Why?

WARREN BUFFETT: Yeah. Well, we've been selling it because the company our interest in it is being valued at well, the interest we had is being valued at, you know, 6.5 billion, whatever it may be. And I think it's an extraordinary company. And I think the fellow that runs it, who's run it right along ever since we purchased it, you know, 14 years ago or something, is an extraordinary person. Been over there but I think that the, we'll find things to do with the money that I'll feel better about. But we haven't sold all our BYD by a long shot. We are not in a hurry to sell it, but my job is to allocate the capital and within Berkshire Hathaway the way I would do it for my sister because she is a big shareholder. And that's the way I feel about all the millions of shareholders we have.

BECKY QUICK: Very quickly, can I just ask you about Paramount? That's another Berkshire investment that's been a relatively new one. Is it because of streaming? What happened?

WARREN BUFFETT: Streaming that, you know, it's not really a very good business. And, you know, it the people in entertainment that make lots of money, the shareholders really haven't done that great over time. And supplied the money, it's a glamorous business. And I had some friends in Hollywood, you know? And they look for -- and they find 'em. I mean, it's like it attracts people. And—

BECKY QUICK: You mean suckers?

It's a great way to meet girls for all I know. Well no, I mean, but the is it od a business, when it was distributing or producing movies or and you've got some people that have got deep pockets that aren't gonna quit. And the product they're offering people, the chance to watch all those movies, you know, for peanuts and all that. But can they -- we'll find out. But so far, they haven't been able to. They've been able to attract subscribers, but they attract 'em at a terrible price.

BECKY QUICK: Alright. You gave a whole lotta reasons why not to buy Paramount. Why did you buy it?

WARREN BUFFETT: Well, we'll see what happens.

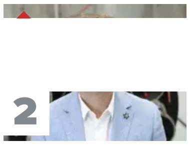
BECKY QUICK: Warren, you are known for somebody who has the appetite and the taste of a five-year-old. You like hot dogs. You like Coke. You like See's Candy. Someone wrote in on Twitter and wants to know what you've been eating in Japan.

WARREN BUFFETT: Oh, that's an interesting question. I have a Coke here. And I mean, I had some Hershey kisses before I came over here. And a few things like that. And, you know, I've gotten to 92 with the habits of a six-year-old. So far, it's working. And Charlie's 99 and he doesn't eat any better than I do pretty much. But I just get more attention about my diet. And, you know, I think I mean, it, you know, you roll the dice. I've been lucky in life. I haven't really gotten that sick. And the only terrible things happen when people die or get sick that you care about. And if you can make a decent living in this country. And, you know, I've just been lucky. And, you know, I make all kinds of money because I'm good at some game, whether the crumbs of capitalism just fall off the table and it you know, what people contribute to society is not proportional to somebody that, you know, gives their life and fight in a war that they don't need to get in. I always admired Hank Greenberg that way, be a tough competitor and everything in business, but he lied about his age, upward in order to go in the Army, and he landed at Normandy. That I mean, that's really something. So I've been lucky. And, you know, I always tell people I found everything I like to eat by the time I was six. I mean, I mean why should I fool around with all these other foods? I know all these people eat all these green things and everything, but. And somebody told me I would live an extra year if I ate nothing but broccoli and a few of the other things all my life, instead of eating what I like to eat, I would say that year off the end of my life and let me eat what I like to eat. But I don't really think it 'cause I think I think happiness makes an enormous amount of difference. And in terms of you can't measure very well, in terms of longevity. And I'm happier when I'm eating hot fudge sundaes or drinking Coke

BECKY QUICK: Well, Warren, we are lucky to have spent the last three hours with you. We wanna thank you for your time today.

WARREN BUFFETT: Thanks for inviting me.

BECKY QUICK: You invited us but thank you. Warren Buffett. And Joe, we'll send it back over to you.



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