Warren Buffett sat down in the driveway of his Omaha home for a live interview with CNBC's Becky Quick on Monday morning, May 4, 2009. The Berkshire Hathaway annual meeting had been held over the weekend, attracting 35,000 people. Becky asked Buffett for his thoughts on a number of issues appearing in the morning's newspapers.

This is a transcript of their conversation:

BECKY: We've been listening to Warren Buffett and Charlie Munger all morning long, all weekend long. We've probably asked them every question you possibly could under the sun. But another day means another full set of headlines. So we thought that while we're in Omaha we couldn't help but try and get the Oracle of Omaha, Omaha's most famous son, to maybe sit down with us. Mr. Buffett, thank you very much for joining us.

BUFFETT: My pleasure.

BECKY: You said at the meeting that you read five papers a day.

BUFFETT: At least.

BECKY: At least five papers a day. I know, we've probably asked you every question under the sun, but I thought with these new headlines, maybe we could go through some of them and get your thoughts.

BUFFETT: OK. (Laughs.)

BECKY: Let's start things off with the *Wall Street Journal*. I brought five or six papers, to give you a quick quiz off of some of these.

BUFFETT: Uh oh. (Laughs.)

BECKY: First of all, you're all over the papers with the meeting. A lot of papers that have come out – this one on the front of the *Journal* says *Slump Has Dealt Buffett a Rather Rough Hand.* Inside it says ***Buffett Plays Down Hoopla and Hope.*** The funny thing, I thought, is depending on which newspaper you pick up, which headline you read, some people say you're very optimistic about the future, others say you're very concerned. What's the right take?

BUFFETT: Maybe they both have got it right. I'm 100 percent, enormously optimistic about the future of this country over time. I mean, there's no way you can bet against America and win. Just look back at a couple of hundred years ago, how people were living and how they live now. We're not any smarter than they were a couple of hundred years ago. We've got the same land and everything else. But we've unleashed human potential and will continue to do so. So twenty years from now, fifty years from now, your kids and grandchildren are going to live far better than you live. But, in the short term, things are going to be tough for a while. And we see no real pickup in a whole variety of businesses we have. But they'll be doing fine in a few years. I don't know whether they'll be doing fine in three months, six months, two years. I know they'll be doing fine in five years, and I hope they'll be doing fine in five months. I don't have the answer to exactly when.

BECKY: You say you see no real sign of pickup. Have you seen any sign of a slowing in the rate of decline? Or any signs of a bottom, I guess?

BUFFETT: Certainly in residential real estate in important parts of the country, like California, where they've been in a nose dive, you know, a year ago, and six months ago, we're seeing a lot more activity, particularly in the medium to lower priced homes. Lower mortgage rates help. There have been a few – California has a special program to help. So houses are moving. Now, California is a very big area, so Stockton's not the same as San Francisco would be, but there's a lot of activity. And I would say that the prices have tended to stabilize in a place like that, whereas in South Florida you still got a huge oversupply. So, but, that's getting better.

BECKY: OK. In the *Financial Times* this morning, **the lead story** is about Citigroup and Bank of America, how they're each working on plans to raise ten billion dollars in additional capital. Today was supposed to be the day that we'd be getting those stress test results. **You own stakes** in three out of the 19 banks that are going through the stress test. Well Fargo, SunTrust, and US Bancorp. Do you know the outcome of the stress tests for any of them?

BUFFETT: No, no.

BECKY: What do you – you've said in the past you've **done your own stress tests**.

BUFFETT: Yeah sure. You know, we've got very appreciable money in them. So we, we know the business model of two of those three quite well. The third I don't know that well.

BECKY: Which do you know well?

BUFFETT: I know US Bancorp and Wells Fargo. I don't know the business model of SunTrust that well. So I can't talk about SunTrust intelligently. But I can tell you that US Bancorp and Wells Fargo are extremely strong banks. They have terrific earning power and earning power is enormously important in looking at what happens to a business in the future. And you couldn't have two better banks virtually positioned than those two for future earnings. They got – things could get a lot, lot worse and most companies would come through fine.

BECKY: Does that mean you don't think the government will make them raise additional funds, or once things wind up in Washington you don't know what's going to happen?

BUFFETT: I don't know what's going to happen. (Laughs.)

BECKY: OK, let's talk about the front page, this morning, of, or at least the business section of the New York Times. It's got – talk about how over the weekend, despite Obama trying to get people to go out and buy cars made in Detroit, they saw **little bump for Chrysler sales** over the weekend. Chrysler, obviously, at this point, in bankruptcy. What are some of the aftershocks and effects and some of the unintended consequences that could come up from putting Chrysler in bankruptcy and what happens to GM?

BUFFETT: Well, I think, you know, it is tough to be in bankruptcy. If you're not in it very long, and that's the hope of everybody, that they're out in 60 days or something like that, the disruption is less. But, it obviously has to worry dealers. It worries consumers. Now the government said they stand by the warranties and everything, so I don't think people should be worried. But they may worry, even though they stand behind the warranties, that the fellow who has been servicing their call, you know, over the years, won't be around in a year or two. It's very important for Chrysler to get out of bankruptcy very quickly and it depends on the bankruptcy judge.

BECKY: There is some talk out there that the bondholders should accept this deal that's been pushed down. Are you sympathetic to that?

BUFFETT: (Laughs.) Well, I'm sympathetic to both sides on it. I mean, the bondholders want a secure bond. If I have a first mortgage on my house here, and the first mortgage is for half of what the house is worth, and somebody says I want you to take a big haircut because I've got credit card debt someplace else, that's got problems. It has problems in terms of future lending. I mean, if priorities don't mean anything that's going to disrupt lending practices in the future. On the other hand, to have a few people standing in the way of something that has, ah, so much importance to the whole country, I can see why people on the other side are very upset. But giving up priorities in lending, abandoning that principle, would have a whole lot of consequences.

BECKY: A whole lot of bad consequences down the road?

BUFFETT: I think it would. If we want to encourage lending in this country, we don't want to say to somebody who lends and gets a secured position that that secured position doesn't mean anything. So it's a tough problem both ways.

BECKY: OK, back in studio Joe and Carl are both standing by, and our guest host today is **[Senator Judd Gregg]**. Joe, you have a question as well?

JOE KERNEN: I do. I'm looking at – let's keep, keep doing this with the newspapers for Warren. I'm looking at the Wall Street Journal, Warren. I see the Cherry Coke. That looks to be your's. I can see your hand, your bridge hand, and I see the way you've got it all – you've got a seven and an eight of hearts.

Slump Has Dealt Buffett a Rather Rough Hand

Berkshire Hathaway CEO Warren Buffett, shown playing bridge at the firm's annual meeting, spent much of this weekend's gathering defending a difficult year, and didn't hold out much hope for better results soon. See page C1.

BUFFETT: (Laughs.)

JOE: And then you've got the hearts, you've got everything going in, sort of, in sequence. I'm wondering, A, do you remember whether you did well with that hand that you have there? And B, the article above it, Warren. In the past –

BUFFETT: Well –

JOE: No, go ahead.

BUFFETT: Well, if you don't know whether I did well or not, Joe, I'm going to tell you I did well, regardless. (Laughs.)

JOE: Yeah, I don't know. In the past, you have said to return to some of the capital gains rates and the dividend rates and the marginal rates of the 90s, not a big deal for corporations. You're OK with that. This **latest proposal to tax corporations**. Cisco, for example, thinks this is not a great idea, that it's going to hurt U.S. corporations. Could you weigh in on whether this is, you have a problem with this move?

BUFFETT: Well, I can't talk about all the details of this bill because I don't know it. But I would say this. We're going to raise, probably at most, 2.3 trillion at the federal level in taxes. So we're raising close to 2.6 trillion just a couple of years ago and you know what we're going to spend, so one way or another we're going to need more taxes down the road. There's no magic wand on this. The question is, who they should come from, and everybody that is a target of any increases is going to be back in Washington screaming. So, the country can take higher tax rates. It did very well, extremely well, in the 60s and the 90s with tax rates considerably higher in many areas than now. So, I think it's a question of, you know, who gets socked and when. But the one thing I know is if we keep raising 2.3 trillion a year, we're going to have massive deficits for a long, long time and those have consequences as well.

SENATOR GREGG: Well, Mr. Buffett, if I could ask you that, following up on that. What do you do about the debt? I mean, if you going to expand, explode the debt here, it's sort of like chasing your tail to try to catch up with revenues when you've got a debt ratio that's going up to 80 percent of GDP. Is that sustainable? And if we're looking at five to six percent, four to five percent, in deficits for the next ten years, and the debt ratio jumping from 40 percent to 80 percent, in the long run how do you get yourself out from underneath that type of debt situation, and the spending which is driving that debt?

BUFFETT: Well, at some point you have to have tax revenues that are a whole lot closer to expenditures and you can get that in two ways, and both ways are unpleasant. But if you don't get it, the consequences are unpleasant as well. And you mentioned going to 80 percent, you know, it will go a lot higher than that unless at some point you get a more of a balance between revenues and expenditures. And we started from a fairly low debt position, and of course we came out of World War II with well over 100 percent. But a country that continuously expands its debt as a percentage of GDP and raises much of the money abroad to finance that, at some point it's going to inflate its way out of the burden of that debt. I mean, every country that's denominated its debt in its own currency and has found itself with uncomfortable amounts of debt relative to the rest of the world, in the end they inflate. And that becomes a tax on everybody that has fixed dollar investments.

CARL QUINTANILLA: Hey, Warren. It's Carl. It's good to see you. One quick question on employment. You know, we had the Chrysler bankruptcy last week. This morning, **Filene's Basement is said to be filing** for Chapter 11. The Boston Globe may shut down in the coming days. I wonder if you think those types of actions will pose a renewed threat to the economy or whether we can grind through some sort of jobless recovery like we have in the 90s.

BUFFETT: Well, we're going to face more unemployment, and who knows where it tops out. It will top out eventually. I mean, you know, we've hit double-digits in the past. We have a wonderful economy over time. The markets overshoot. People make mistakes. I mean, it's not perfect at all times. We had six panics in the 19th century, the Great Depression in the

20th century and all kinds of recessions. We do come out of them. How fast we come out of them depends, on some extent, on the wisdom of the policies in Washington. But the biggest thing that brings us out of them is that we have a system that works very well over time even though it gets gummed up periodically. It's gummed up right now. We'll come out well, you know, whether the government does it exactly right or not. But government policy is enormously important. We will have more unemployment. We won't have more unemployment five years from now than we have now. I'll guarantee you that. I think it will be appreciably less. When it turns, I don't know.

BECKY: Yeah, we've got that jobs number coming up on Friday. Hard to say exactly what happens there. If that number falls below 500-thousand, I believe the estimates are somewhere between 500 and 700-thousand jobs that will have been stripped from the economy again over that last month. If it's below 500-thousand, is it too soon to start celebrating the idea that we're reaching the end?

BUFFETT: Yeah, it would be too soon. We have not – we're not reaching the end. At some point, we're going to reach the end, and I don't know when that will be, but I know whatever the day is, May fourth, in terms of the figures we're getting out of all our businesses, the American economy is slow, very slow, and at the moment, still getting slower. But that will turn. And I can't predict when. I hope it's very soon.

BECKY: Another story over the weekend in Barron's, **Ron Baron was interviewed**. He said that the most attractive time of, this is the most attractive time of his lifetime to be an investor. Would you agree with that?

BUFFETT: Well, no, but I would say it's among the more attractive. But 1974 and '75, the stocks were far cheaper then. And incidentally, the best year the Dow, ah, the S&P has ever had in my investing lifetime was a year of recession. In 1954, people don't remember these things, but, so you don't want to not buy stocks just because business is lousy at the time. That may be the very best time to buy stocks. In 1954 the Dow was up 50 percent and the country was in a recession. It was the best year I ever had in my life. And I've had other good years in recessions, so you don't want to say, it's a big mistake to say business is bad, therefore I shouldn't buy stocks. That usually is the time to buy stocks. And when everything is wonderful, it's not usually a very good time to buy stocks. But I don't know when it will turn. And the unemployment number, the job layoffs this month, the report we get about last month, you know, it's an interesting statistic but it will not tell you what's going to happen in the following months.

BECKY: What do you watch? If the jobs number is sort of a backward looking, or lagging indicator, what's the number that you watch most closely out of all your lines of businesses?

BUFFETT: Well, housing is so important. It led us into this. It was the housing bubble that pricked a lot of other bubbles. But it was a huge bubble. I look at, I mean I'm very interested in something like housing starts because we're going to form maybe a million, three-hundred thousand households a year, and they're going to live someplace. And if we're building two million houses a year, we're going to have trouble down the road and that's exactly what we were doing a few years ago. If we're building 500-thousand then we're eating up that inventory and the faster we eat up that inventory the better off we are. That's why it's really not a good idea to have any big premium to induce people to buy new houses. We don't need new house. We need to move the houses we've got around. When that gets done and we hit equilibrium, the world will change in a big way.

BECKY: Joe?

JOE: Thanks, Becky. Mr. Buffett, I think a lot of business people take some satisfaction, solace I guess, when you talk to President Obama, talk to his people. And President Obama, I think, appreciates your support during the election and uses your name at times to say, well, Warren Buffett would talk to him about things and he agrees with how we feel on this. But then there was a time when he mentioned Wells Fargo, and he said, well, Warren Buffett has a big investment in Wells Fargo. I'm just wondering, do you still talk to the president on things? Have you spoken to him since the election?

BUFFETT: Ah, I've waved at him once or twice at public events and I've spoken to him once.

JOE: Do you feel like you're a confidant on –

BUFFETT: I'm sorry, Joe. I'll correct that. You said since the election. I've spoken to him more often than that since the election. I've spoken to him once since he was in office.

JOE: When you disagreed with him on maybe trying to do too much, cap and trade or whatever, or the Wells Fargo comment is one that sticks in my mind, when we said well, Warren Buffett has a big investment in Wells Fargo, implying you were talking your book when you were talking about the banks. Did that cause any consternation in you at that point?

BUFFETT: (Laughs.) I don't think, I don't think I'll ever talk about what I talk with the president about. But I will confirm I had one conversation with him. But the truth is we do have a big investment in Wells Fargo. I've owned Wells Fargo since 1991. I'll probably own it five or ten years from now, so it really doesn't make any difference to me whether Wells Fargo's stock goes up or down in a day or a week or a month. It does make, it's enormously important to me how they conduct their business. And I think they've done an incredibly good job of running their business. They've got the lowest cost of money in the country; they've got the greatest community banking system that the world has ever seen. And incidentally, when the government needed to do something with what was probably the fourth largest bank in deposits, Wachovia, they transferred it over to Wells Fargo and they didn't have to put up a dime of guarantees or money by the FDIC. So the government obviously had to think pretty well of Wells Fargo at that time. (Laughs.)

BECKY: Carl?

SENATOR GREGG: Mr. Buffett, I was just wondering. You mentioned this issue of prioritization of debt, which is a huge issue, and as you know the Congress is dealing with this issue of cramdown, which basically allows bankruptcy courts to rewrite the prioritization of debt. I'd be interested in your thoughts on that. It seems to me that following up on your basic theory there, that cramdown would undermine the prioritization of debts substantially.

BUFFETT: Well, if I were lending money on, ah, in any form, but certainly if I was lending money in housing, and I have seen people, courts unilaterally change the amount of the debt, I would be a little more careful about how I lent money. (Laughs.) Any time you get involved in the sanctity of contracts, you're going to make people more reluctant to engage in those contracts in the future. And you're going to make those kind of contracts more expensive because somebody has to build in the cost of, ah, legislation or a court later fooling around with them.

SENATOR GREGG: Well of course that was the point made by **Daniel Webster** in the **Dartmouth College** case, as I recall, so I think that's nice to hear.

BUFFETT: Yeah, well, I'm glad I've got, I'm glad I've got authority on my side someplace. (Laughs.)

BECKY: Carl?

CARL: Hey Warren, one last question. I don't want to give you too hard of a time about the op-ed –

BUFFETT: That's OK, give me a hard time.

CARL: - about the op-ed that you wrote in the *Times* last fall, but we all remember it. ***Buy American. I Am***. I wonder if you stand by what you wrote, first of all, and second if you felt any personal obligation or responsibility to talk people off the ledge at the time? If any part of that was you trying to do some greater good, if that makes any sense?

BUFFETT: No. I was saying what I was doing. And I said I don't know what the stock market is going to do in a week or a month or a year. But I, the truth is, I did feel that equities over a ten-year period of time were almost certain to beat a policy of buying ten-year bonds or buying short-term bonds and continuing to roll them, which a lot of people were doing. So I thought people were following foolish policies. If they really were committed to buying, like I say, the 10-year government or buying short-term bonds and rolling them, because they were going to lose purchasing power over time and equities were going to do fine over time – I had no idea what they do in the short-term – and I would still do, I still say the same thing.

BECKY: I was going to ask that. As we get into March and we saw some of those lows, did that make you feel even more strongly about those positions?

BUFFETT: Oh, sure.

BECKY: Did you continue buying?

BUFFETT: Oh, the cheaper things go, the better I like it. I mean, if I can buy the whole American economy at three-quarters of X instead of X, I feel better off. And particularly when I compare it with rolling, you know, Treasury bills at a quarter of a percent, of a half of a percent, or buying the ten-year at three percent. I know that buying the ten-year at three percent is not going to work out very well in terms of purchasing power. I know that rolling Treasury bills is not going to work out in terms of purchasing power. And I think I know that if you buy the American economy at 60 percent of what it was selling for a few years ago, and you get a cross-section of companies that aren't highly leveraged, or something of that sort, you're going to do well.

BECKY: Does that mean that as we got into March that you stepped up or continued your buying, either in your personal portfolio or through Berkshire?

BUFFETT: The cheaper things have become, the more I've wanted to buy, yeah.

BECKY: And the more –

BUFFETT: If I run out of gas, I run out of gas.

BECKY: I was going to say, in terms of how much cash you have on hand, are you able to do those things?

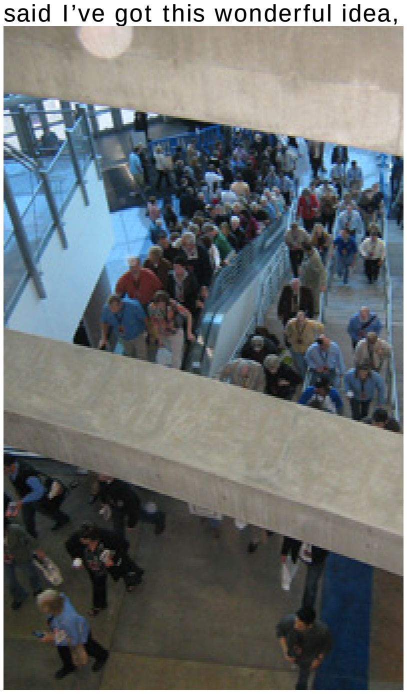
BUFFETT: Sure. I like, if McDonald's reduces the price of hamburgers today, I'm going to feel good even though I bought hamburgers at a different price yesterday. I mean, I'm going to be buying hamburgers every day for the rest of my life and the cheaper they get, the better I like it. There's nothing wrong with American business over the long-term. I mean, the conditions that made it wonderful continue to, the Dow Jones Average started the 20th century at 66. It ended at 11,400. We had a Great Depression, world wars, all kinds of things in between. It doesn't work perfectly every day, but it works over time.

BECKY: One thing that's not going to be getting cheaper is your *New York Times.* There's a story in the *Financial Times* today talking about how the *New York Times* is expected to raise its newsstand prices to two dollars from a dollar-fifty during the week and to six dollars from five dollars on the weekend. Do newspapers have a future? You've got a stake in Washington Post.

BUFFETT: Unfortunately, they don't. I love newspapers. But if the *New York Times* is going to sell for two dollars in the print edition and be free on the Internet, that's a very unsustainable model over time. I still read the print edition because I like to. But if I were a young person making some lesser sum, why would I, why wouldn't I go to the Internet and read it free rather than pick up the print edition. So I, they're going to have to answer that at some point and so far it hasn't been answered.

BECKY: But you are still keeping your stake in the Washington Post?

BUFFETT: Yeah, I've had the Washington Post stock since 1973 so, you know, I'm in there for keeps. And they have a good educational business; they have a good cable TV business. But newspapers, I mean, if Mr. Guttenberg had come up with the Internet instead of movable type back in the late 15th century, and for 400 years we'd used the Internet for news and all kinds of entertainment and everything else, and then I came along all of a sudden today and said I've got this wonderful idea, we're going to chop down some trees up in Canada and we're going to ship them to a paper mill which will cost us a fortune to run through, and deliver newsprint, and then we'll ship that down to some newspaper and we'll have a whole bunch of people staying up all night writing up things, and then we'll send a bunch of kids out the next day all over town delivering this thing, and we're really going to wipe out the Internet with this, yeah, (laughs), it isn't going to happen.



BECKY: OK, there's a story today in the *Wall Street Journal* about AIG, talking about how it is close to the sale of its Japanese headquarters building for about a billion dollars. This is significant because, the paper points out, this is kind of a show of the decline of AIG in Asia. You know AIG well. You know Hank Greenberg. What do you think about what's happened to AIG over the course of the last few years.

BUFFETT: Well, it's a tragedy. It started in the financial products business, I mean, there's nothing wrong with their property-casualty insurance business. We work with them. And their life business, they had probably more of a stake than the asset side, but there's still, they've got a big, powerful life distribution system. They had a black box. And the black box delivered little numbers to them that they loved, you know, quarter by quarter. And then somebody looked into the black box and they found out it was a black hole. And tens of tens of billions – I was there in September when they thought their problems were, 18 billion actually I think it was the exact number – and they really had no concept of how big the troubles were. And it was a huge, huge black hole. And they were making bets they didn't understand.

BECKY: You know, we've just gotten contacted by Bank of America, called in to point out the fact that they are denying the *Financial Times* article that we pointed out before, saying that they are denying they are seeking fresh capital. Got any thoughts on that?

BUFFETT: Well, one thing about Bank of America. It has a wonderful deposit-gathering system. It's not quite as wonderful, in my view, as Wells, but that - (laughs.) Bank of America might disagree with me. Their money costs more than Wells but it's very cheap compared to some of the other very large banks. The Bank of America was built on that, if you go back decades. They've got a wonderful system, and then they've got some activities that are maybe less wonderful. But they do have a terrific base, so I don't want to comment beyond that on that. I don't look at the specifics of B of A as hard as I look at the specifics of Wells. But there is a very good fundamental asset underlying the Bank of America.

BECKY: In your opinion of what happened this weekend, you had 35,000 shareholders who came from around the globe, most that have ever come to one of your meetings, what was the most important takeaway for you?

BUFFETT: Well, we had a lot of fun and we sold them a lot of goods. We sold them 180-thousand dollars of See's Candies, which was a record. We had record numbers. And I think people had a good time. We had good weather, we got lucky on that. We had a much better questioning system this year, so we had a much higher quality of Berkshire-related questions and we're going to follow the same format next year and I hope we top 35,000. People have a lot of fun. I have a lot of fun.

BECKY: Did any of the questions surprise you? Were any of them tougher than you were expecting?

BUFFETT: Well, we like tough questions. It makes it more interesting. We'd fall asleep, Charlie and I would, if everybody just said, you know, do you like hamburgers as well as you used to or something. So tough questions are fine. And if we don't know the answer, we'll say we don't know it. If we think we know the answer we'll try to respond.

BECKY: Well, Warren, we want to thank you so much for being so generous with your time this morning, and we appreciate you going through the papers. Just a quick head start, I'll leave the rest of these with you so you can –

BUFFETT: That's terrific. That's terrific. I'll save some money. (Laughs.)

BECKY: Warren, thank you very much. We appreciate it. Warren Buffett.