Warren Buffett appeared live on CNBC's Squawk Box for a two-hour interview with Becky Quick. During their conversation, Buffett said there's "no question" the global economy is slowing and he's "salivating" for Berkshire Hathaway to make a "big acquisition."

He also offered some timeless advice on investing in stocks.

In addition, they covered many other topics, including the "fiscal cliff," adding to Berkshire's Wells Fargo spacer stake, and his prostate cancer treatments this summer.

Here's a transcript of their complete conversation.

ANNOUNCER: "Squawk Box" is on Buffett watch. The "Oracle of Omaha" joins Becky Quick to talk about the issues that matter most to your money —earnings, the economy, and the election. It's a special two-hour event with Warren Buffett as the second hour of "Squawk Box" begins right now.

ANDREW ROSS SORKIN, co-host: Good morning and welcome to "Squawk Box" here on CNBC. I'm Andrew Ross Sorkin along with Joe Kernen. We're going to be getting to Becky and Warren Buffett in just a moment, but first let's get a quick check on the markets.

* * *

ANDREW: Mr. Kernen.

JOE KERNEN, co-host: Thanks, Andrew. Let's get to Becky, who is in Columbus, Ohio, this morning with Berkshire Hathaway chairman and CEO Warren Buffett. Is he there, Becky? I saw him. I heard him.

BECKY QUICK, co-host: He is here.

JOE: Good, with the …

BECKY: He is, he's ready to go.

JOE: … with the … a spanking new NetJets tie on, I see, huh?

ANDREW: Is that what that is?

JOE: Yeah.

BECKY: He does. You like that?

JOE: You said he had a nice...

BECKY: Yeah.

JOE: ...NetJets tie, and I asked you did he also bring a nice NetJets card, and I'm sure he didn't.

BECKY: And what did I tell you? What did I tell you?

JOE: That I can ask him myself.

BECKY: I said you'd have to ask him. Yes.

JOE: Yeah, and did you bring one, Warren, or am I getting another brick?

WARREN BUFFETT (Berkshire Hathaway Chairman and CEO): Just beg a little, Joe. We'll get to it later.

BECKY: He wants to hear you beg for two hours first, Joe.

JOE: I know, and then he doesn't do anything. And I'll —you know, I'm going to try.

BUFFETT: Oh no, I got —I'll come up with something for you.

JOE: I'm going to try.

BECKY: All right, well, you know, Joe, we are very fortunate to have Warren with us here this morning. And, Warren, this is the first time we've gotten a chance to sit down and talk with you since the prostate cancer treatment.

BUFFETT: Right.

BECKY: How are you feeling?

BUFFETT: I feel fine. I feel great. I —you know, they gave me some hormones, too, so occasionally I get some hot flashes, which I —we males call those power surges actually. And —no, it was —it got tiring after a while. The radiation does. You don't feel anything, but...

BECKY: Of course.

BUFFETT: ...I felt it was time to quit when I started getting the urge to pee sitting down.

BECKY: But you're feeling good.

BUFFETT: I feel great.

BECKY: Well, you look great, and we are very happy to have you with us today. Thank you for joining us. You know, this is one of the best times that we've gotten to talk to you because there have been so many questions lately about what's happening in the economy. We've heard from major companies like 3M, Caterpillar, DuPont, all of these companies, UPS, who have all come out and said that the global economy is very uncertain, it's slowing down a little bit. They're not sure about what they see in the future. And it's raised a lot of questions in the market, too. The market's been selling off over the last week or so. Real concerns. People sitting up and saying, `Oh oh, maybe there's something really happening here.' Do you think the market's overselling the situation, or do you think it's catching up with reality? What do you see?

BUFFETT: Well, I think —I think the stock market generally is the best place to have money, and —but I think that there's no question that worldwide there is some slowing down going on. And in the United States, actually, residential housing is picking up, and we've been waiting for that a long time, and that will have a significant impact. It hasn't gotten to any big level yet, but our carpet businesses and brick businesses and all of that will come on with residential construction, and that has turned. But the general economy, I think it's a little bit better in the U.S., certainly better in the U.S. than it is in Europe. And in terms of the rate of decline in Asia, it's reasonably steep and we're still inching ahead. But it's inching.

BECKY: When did you first start to notice this global decline, this global slowdown?

BUFFETT: Well, we've got a couple of companies that really are kind of real time as to what's going on. The number one would be Iscar because they sell these little tiny punching tools or cutting tools, and they fit in these huge machine tools that cost millions of dollars. So anybody that's turning out anything big are buying these little, call them razor blade type items, from us. And they don't need a big inventory. They can —we can deliver very quickly. So their purchases reflect usage, and there our strongest market is in the United States, but Europe and Asia have fallen off some. And we're gaining market shares. So there's a decided decline in activity in all that manufacturing where you're stamping metal and doing that sort of thing.

BECKY: Oh, we heard from Doug Oberhelman from Caterpillar the other day, and he says that he looks around the globe and he doesn't expect to see a recession anywhere in 2013, but Europe is the biggest problem spot. Would you agree with that assessment?

BUFFETT: Well, it is at present. Its rate of decline —I mean, it's way off a lower base —its rate of decline is not greater, in my view, than the regular decline in Asia. It's just that Asia was doing much better. The United States actually has got the steadiest trajectory, and I don't see any change in that. I mean, you know, we got the freight car rollings, and that —we got a big energy pick up in the United States, we're getting a housing pickup. Those are pretty big —pretty big industries.

BECKY: Well, let's talk about some of those numbers because housing is a huge key. You had told us before that we are not going to see a turn in the unemployment picture until we see a turn in the housing.

BUFFETT: Right.

BECKY: And Doug Oberhelman had told us the reverse of that the other day. He said you're not going to see a turn in the unemployment picture until you see the turn in housing, and he kind of set the thing on its head and said it's the other way around. Which comes first?

BUFFETT: Yeah. Well, demand I think comes first.

BECKY: Yeah.

BUFFETT: I mean, you hire people when you start seeing demand, and you are seeing more demand. You're seeing —you're seeing greater purchases of lots. I was with a guy last night at the GE dinner that is in the business of selling lots, and the —and the builders are starting to clamor more for those. We have the largest housing manufacturing company in the country at Clayton Homes, it's manufactured homes.

BECKY: Right.

BUFFETT: But those —that business is up in the area of 10 to 15 percent. We see it in our...

BECKY: In terms of volume? In terms of...

BUFFETT: In terms of units, yeah.

BECKY: Right.

BUFFETT: In terms of units. Real estate brokerage, we not only see about a 15 percent increase in transactions, but we also see a small increase in the median price. And this —and this comes from all over the country. I mean, we're in California, we're in Nebraska, Minnesota, Florida, you know, you name it. So that's changed. Our —you know, we're going to make a lot more money in carpet this year than we made last year. You know, more than double probably, and we hire people when that happens.

BECKY: Mm-hmm.

BUFFETT: So the United States economy is not tanking. Asia from a higher level, I wouldn't necessarily call it tanking, but it's heading down, and Europe has been having its troubles for some time and they haven't ended.

BECKY: Does that —does that catch up with us? Does that affect us at some point, too?

BUFFETT: Well, what we really hope is we affect them over time. And no, I don't —I don't necessarily think so unless there gets to be chaos someplace. We've already adapted to what's going on around the world.

BECKY: Tell me what you see in terms of the rail cars. You were saying you were watching loadings on those, Burlington Northern obviously moving a lot of materials. And natural gas is big for them, too, correct?

BUFFETT: Yeah. Well, at Burlington coal is down, as it is with the other railroads. Oil is up, and when you're fracking you bring in lots of sand. So sand would be up, for example. And the UP just reported, and they're seeing small gains in things other than —they're seeing it in lumber. You know, they're seeing it in cars. We're seeing it intermodal. They do —we're the biggest in intermodal. We carry 15 percent of all the freight measured by tonnage in miles in the United States. I mean, it's —just the Burlington Northern carries almost half as much as all the trucks in the United States in terms of ton miles.

BECKY: And you're not seeing any downturn? You're seeing actually numbers go up on those?

BUFFETT: We're seeing numbers go up. Now, that was a little deceptive a month or two ago because we had these floods last year and so the figures were very easy there for July and August. But we are seeing small gains, but they're small.

BECKY: And in terms of what you see at Mid-American, you talked about some energy demand. That had been weak for quite a while because companies weren't using as much energy. How's the —how's the picture on that?

BUFFETT: Yeah, well, you know, kilowatt hours we're down this year.

BECKY: Yeah.

BUFFETT: But we —well, look at it this way. Berkshire Hathaway in 2010 spent six billion on plant and equipment. That was a record.

BECKY: Mm-hmm.

BUFFETT: We spent last year eight billion on plant and equipment. Another record. This year we'll spend nine billion on plant and equipment, another record. And practically all of that's in the United

States. I mean, we see lots of things to do. Now, a good bit of that is in the rail business and the energy business.

BECKY: Right.

BUFFETT: But there —there's a lot to do. And incidentally you hear a lot about infrastructure and, you know, the terrible shape it's in.

BECKY: Right.

BUFFETT: The rail industry's infrastructure's in the best shape it's ever been in.

BECKY: OK. Joe has a question for you as well. Joe:

JOE: Yeah, along the same lines, Warren. If —let's say that you were going to start a new Berkshire Hathaway, and it was just going to be based on energy. Now, only energy stock could be in it and you were trying to play whatever happens in —or trying to take advantage of what happens in this country over the next 20 years, what would —how would you do that? Would it be natural gas? Would it be coal? Would it be solar? Would it be —how do you think you would do that? All of the above or I mean are you smart enough to see how this plays itself out with fracking and natural gas?

BUFFETT: No, but I —but I, you know, I'm interested enough to follow it, but I don't —I don't think I'll be able to write the newspaper two years from now at the current time. But we are putting a lot of money into solar and wind. That's just part of what we do at Mid-American. You know, if you get into producing energy itself I'm not —you know, I would be no good at that game. I'd have to join with somebody else that I thought was terrific. But I don't know a blame thing about it. I mean, I read about it and I —and I feel very good about what I read, and we transport a lot of oil, but I don't —you know, you stick me in —next to an oil well, and I go back to thinking of some Clark Gable movie or something as to what I'm supposed to do, and I think that's a little out of date.

JOE: Becky, have you shared your thoughts about, you know, exporting natural gas?

BECKY: Oh, I know where you're going. Oh, he...

JOE: Well, I just —I just wondered whether you've talked to Warren about that. I mean, you listen in...

BECKY: I haven't. Warren, let me —let me tell you before Joe makes it even sound worse than it is. I have had some concerns about this idea of exporting natural gas because, look, this is from the Charlie Munger school of thought. If you want to be energy independent, he thinks it's a stupid idea. He thinks we should use all of their stuff. But I worry, if we really do want to get energy independent why would we ship this natural gas to other people? Why don't we build it and keep it here? Go ahead, tell me why that's wrong.

BUFFETT: I'm with —no, I'm with you. Sure.

JOE: Oh.

BECKY: You are?

JOE: Ah! See?

BUFFETT: You got to —no, no. If you —if you've got a national treasure, and we had that in oil if you go back 50 years. We're an exporter of oil. I mean, we were producing way more than OPEC. And the Texas Railroad Commission used to —used to announce every month how many days you could produce in Texas. It was an OPEC of its time. And so we took these huge prolific fields, the East Texas field and, you know, we sent that stuff abroad. We were getting three bucks a barrel for it. And, you know, and then we built a strategic oil reserve later on. Well, that's the strategic petroleum reserve. No, I believe if you're dealing with a scarce commodity, something that you know is finite...

BECKY: Ha!

BUFFETT: ...over time use the other guys'.

BECKY: Ha! Joe, there, take that. I'm back on the bean wagon.

JOE: Well, I never —I never thought Warren was a protectionist. That's amazing.

BUFFETT: No, I'll protect something that we're going to need to keep this country going 50 or 100 years from now.

JOE: Right.

BUFFETT: I don't want to ship our talent overboard.

JOE: We may have enough —we may actually have enough, though, for the entire world. And that would be a great export business eventually to be in if we were self-sufficient ourselves.

BUFFETT: It would be for a while, but if you're looking out 100 or 200 years —and thank God people 200 years ago were looking out in many respects, although we weren't looking at it —we weren't looking out in the 1950s when we were —when Texas was producing.

JOE: But I love that you're worried about like 100 years from now, and it's not just for your ancestors. It's for you 100 years from now.

BUFFETT: Exactly.

JOE: Which I like. Which —I like that.

BUFFETT: Exactly. You've got —listen, I like it that you like it, Joe.

JOE: Yeah, because I do. Andrew, go ahead.

ANDREW: OK, real quick, Warren. You —I'm curious, with the market selling off $500 billion in the past three days, knowing you, I think you're probably watching this thinking, `What am I buying?' So I want to know, is there anything —have you done anything in the past three days?

BUFFETT: Maybe in the past week we've done some things. Yeah, we —but basically I like to buy and, you know, so if the market is down, you know, I'm happier buying, I like to buy. If I got to a supermarket and they reduce prices, you know, I feel better. If I got to a men's clothing shop and they've reduced prices, I feel better. So if I go to the stock exchange and they reduce prices, I still feel better.

ANDREW: You want to give us a...

BECKY: What have you been —what'd you buy in the last week?

BUFFETT: In the last week, I bought some Wells Fargo.

BECKY: You did?

BUFFETT: Yeah.

BECKY: So continue to buy.

BUFFETT: But we only have 430-something million shares, so I didn't feel we had enough.

BECKY: Do you —you look at the banking business, though, overall, is it going to be as profitable?

BUFFETT: No, it can't be as profitable. The profitability of banking is a function of two items. Return on assets and assets to equity.

BECKY: Hm.

BUFFETT: And return on assets is not going to go up particularly. USB has done the very best on that. They're at about 1.7 percent. Wells is between 1.4 and 1.5 percent. But most banks are lower. Now, if you have 20 times leverage and you're getting 1.5 percent on assets, you're making 30 percent on equity.

BECKY: Mm-hmm.

BUFFETT: And that was not lost on people a few years back. And they pushed balance sheets, and they're still pushing them in Europe. But they've cut back on that here. So they will not be having the leverage in the banking system. It'll be even more restricted among the bigger banks as part of the new rules, and you won't be able to earn more on assets than before, and so with less leverage in the same return on assets, you will have a lower return on equity. Banks were —banks were earning 25 percent on tangible equity not so many years ago. And really, that's kind of a crazy number. You know, for a basic semi-commodity business, you really don't want to allow that. But that was allowed because people felt that their bank deposits, and they were, were guaranteed by the government; and, therefore, there was no market force that would look at the —at the shape of a —condition of a bank and say, `Well, I won't put my money there because they look kind of dangerous with all this leverage.' And therefore, people got to push and push it and push it, and then the government says, `Listen, we got a vested interest in this. You're using our credit, in effect, and if you want to play, you're only going to have 10-to-1, or some number like that. So the returns on banks have come down. It's still a good business.

BECKY: But you still think it's a good business and you still buy it because you like the price.

BUFFETT: It's a good business. Wells is —Wells is very well run. And it's a good business.

BECKY: OK.

BUFFETT: But it's not like —it won't get to what it was.

BECKY: OK.

BUFFETT: The European banks still are leveraged to an extraordinary extent just because they don't know how to get out of it.

BECKY: Right.

BUFFETT: But they aren't earning 1.5 percent on deposits either.

BECKY: Right. OK, well, Warren hold with us just a moment. We're going to take a quick break. When we come back we're going to continue this conversation with Warren Buffet. By the way, if you've been looking at the futures this hour, they are pointing to a slight rebound after yesterday's sell-off. You can see right now the Dow futures up by about 13 points above fair value. As Andrew pointed out, though, stocks have lost $500 billion just in the last three trading days. We're going to see if today's earnings news and the Fed decision can spark a change in investor sentiment, and maybe Warren Buffett's words, maybe that'll spark things for the markets. We'll talk more with him right after the break. Also, coming up at the top of the next hour General Electric Chairman and CEO Jeff Immelt will talk to us about the company's latest quarter, the fiscal cliff, the global economy. “Squawk Box” is live this morning from the GE Middle Market Summit in Columbus, Ohio. We're back with Warren Buffett in two minutes.

(Announcements)

JOE: (Joined in progress)...to “Squawk Box”. We are speaking to Warren Buffett, and Becky is out there. Mr. Buffett just telling us that he's been buying Wells Fargo this week. That stock has now turned positive since those comments.

Becky, they told me to ask a question. Is that OK? I'm not going to...

BECKY: Yeah, go ahead.

JOE: Are you sure? Hey, Warren...

BECKY: Yes, go ahead, Joe.

JOE: Warren, you like to buy. You just said you like to buy. Peter Sellers liked to watch, but you like to buy. I remember that.

BUFFETT: Yeah, yeah. Well, buying doesn't —buying doesn't preclude watching.

JOE: No. No, I know. Not with you, I'm sure. But —so that —I figure anything that moves the market higher, you know, you're not going to —it's like, you know, better than a sharp stick in the eye. So QE3 is great; market's been going up. But if you were a voting member and their —I don't know, they got another one of their meetings today, two-day —their —yes —I don't know. They come so quickly, I don't even remember. But I know I've been reading something about that. If you were there when they voted for QE3, would you have voted yes for QE3 if you were a voting member?

BUFFETT: No, I haven't thought about that, but I would say this: I would listen very carefully to Bernanke, but my instincts would probably be to go the other direction. But I —but I would listen to his arguments. And...

BECKY: But wait a second.

BUFFETT: Yeah.

BECKY: You said with QE2 you thought maybe it was going too far at that point.

BUFFETT: Yeah. That's why...

BECKY: So QE3 is doubling down on that.

BUFFETT: That's why I'd listened carefully. But my instincts are to go against it. I think it's much easier if you're —if you're a central bank and you could print money. It's much easier to acquire 2.6 or 7 billion or trillion, actually, of securities than it will be to unwind that operation.

BECKY: Yeah.

BUFFETT: And you can expand it indefinitely. I mean, if you wanted QE2 to be, you know, 100 billion a month —or QE3 —100 billion, it —he's the one guy that can do it. He has unlimited buying power. Unlimited selling power could be a little different. You need some cooperation on that.

ANDREW: Warren, you're supportive of the president, though. Governor Romney suggested that he would —I wouldn't suggest he would fire Bernanke, but he wouldn't pick him up for a third term. Not clear, by the way, that Bernanke wants a third term even under Obama. But how does —how does that affect or impact your thinking in terms of politics?

BUFFETT: I think Bernanke has done an absolutely superb job. I mean, what he did in the fall of 2008 was gutty. It was —it was basically right. You know, everybody talking about tinkering at the edges. But I will say this: If Ben Bernanke hadn't been there in 2008, I'm not sure where we would be now. So I have enormous respect for him. I —he's a very, very intelligent man. I don't know if you've ever read his four lectures that were given at George Washington U about a year ago. He —you've got to respect him enormously. And, you know, he sees an economy that he's sort of fighting by himself to get started when he looks over —you look over at Congress that's more or less paralyzed. And I would never bet against him. I still would say that I get a little worried about continuously expanding the balance sheet of the Fed. You know, we now are getting 3 percent of our revenues from the profit of —that the Fed is running out as carry trade, if you look at the...

BECKY: The United States gets 3 percent of its revenue?

BUFFETT: Yeah, the United States —that 2.4 or 5 trillion of revenue, the third —the third-biggest —the fourth-biggest item. The first item is personal income taxes and then payroll taxes, then corporate income taxes. The fourth is dividend from the Fed.

BECKY: Wow.

BUFFETT: Yeah, he made 70 or 80 billion last year. This is —this is unheard of, you know, if you go back a few years. So he's got the perfect carry trade. I mean, when he —when he —when he borrows — he's got a trillion and a half borrowed from the banks, which he pays them a quarter of a percent for. Then he's got a trillion in money in circulation, which he doesn't pay anything for, except the cost of the paper.

BECKY: But do you worry about inflation down the road? Is this something that we'll see coming? Will we be able to put the brakes on in time and try and get some of that liquidity back out of the system?

BUFFETT: Well, I —there's nobody that understands that problem better than Bernanke.

BECKY: Yeah.

BUFFETT: But that doesn't mean that I necessarily think that the solution is going to be perfect. I'd rather have him thinking about it and trying to modify the impact of...(unintelligible).

BECKY: But to Andrew's point, if he doesn't have another term, or if he chooses not to stand for another term and there's someone else there, that person's going to have a pretty difficult job.

BUFFETT: Yeah, it depends who it is, but I would vote for Bernanke again. I'd —you know, and I'd get my kids out and everybody else to vote for him.

BECKY: But if Bernanke says that he's not even interested in staying —because they're —the people...

BUFFETT: Well, then you get worried because —maybe that he knows what he's leaving behind.

BECKY: Yeah. People like Kevin Warsh, who knows him closely, has said that, you know, he may have done enough time there.

BUFFETT: Yeah, well, I think he feels that way, particularly after his congressional testimony. But I do think if the president of the United

States asks somebody like Ben Bernanke to stay on, I think he will stay on. I think he's —I think he's that devoted to the country.

BECKY: Hm.

JOE: All right...

BUFFETT: And I would rather have him there than anybody else.

BECKY: Mm-hmm.

JOE: Warren, do you...

BECKY: Joe:

JOE: Do you think that where the bond market is right now, given the extraordinary action by the Fed, do you think it's not that far from where it would be if they hadn't been as active? And then I guess it's OK. But if it be a long way from where it is without them, doesn't that sort of cause some dislocations that eventually are going to come back to haunt us? I like when stocks go up, too. And I can see it in your eye, you like it when the market's going up. But I'm just wondering, is it —is it worth it with...

BUFFETT: No, no, no.

JOE: Huh? You do. And who doesn't like when the market goes up for whatever reason?

BECKY: (As Buffett raises his hand) You.

JOE: But if it gets to a point where it's not up —where it's not up based on the underlying fundamentals, it seems like sooner or later something has to happen. No?

BUFFETT: Interest rates are to the prices of all assets, you know, like gravity is to the function of the Earth. I mean, everything is based off interest rates. It may not seem obvious, you know, and —that the value of some, you know, plantation in Brazil or something is geared off it, but everything relates to interest rates. I mean, you start with what you can get from a risk-free interest rate.

JOE: Right.

BUFFETT: And so there —it has a huge, huge, huge gravitational pull. It affects what I'm doing, you know? It affects —it affects what everybody's doing. So...

BECKY: It affects what you're doing at Berkshire?

BUFFETT: Oh, yeah. I mean, if I'm —if I'm getting zero percent on money, I am going to look at other assets somewhat differently, whether it's buying a farm or an apartment house or anything else. And, of course, the people who will lend money to me to buy the apartment house are going to lend it to me cheaper. It's one of the reasons I recommended housing six months ago, because the low interest rates had caused low mortgage rates, and low mortgage rates, when you can sign up for 30 years off a policy that may be —only be in effect for another year or two...

BECKY: Mm-hmm.

BUFFETT: ...you're getting a tremendous deal. But no, Joe, the Fed has had an enormous effect on interest rates.

JOE: Is it —but it's OK?

BUFFETT: Now —well, I don't know if it's OK or not, but I know that...

JOE: You like the prices going up.

BUFFETT: I know that it's being —well, I would say that it's marvelously OK if you're buying a house or something like that now. But in terms of policy —in terms of policy, the chairman of the Fed and the members of the Fed made a decision that this economy needed enough of a jolt and it wasn't going to get it through enlightened fiscal policy and that they were going to basically carry the whole load themselves. I don't —I don't think they enjoy it...

JOE: Right.

BUFFETT: ...but I think that Bernanke —I think he's a very responsible guy. Now, it doesn't mean he calls them all right, but I think he's a very responsible guy and a very smart guy.

ANDREW: OK, Warren...

BECKY: Andrew:

ANDREW: ...we're going to slip in a quick break, try to make some money ourselves during the commercial. We're going to have a lot more to come from Becky and, of course, Warren Buffett. Plus, we've got earnings from aircraft giant Boeing ahead. The numbers and market reaction. We'll talk to Warren about that, as well. And then at the top of the hour, GE chairman and CEO Jeff Immelt's going to join the conversation. SQUAWK's back in two minutes.

* * *

ANDREW: Welcome back to "Squawk Box" this morning.

(Headlines and earnings news)

ANDREW: But as I was making my way to the AT&T news, that popped off the screen.

JOE: Are you avoiding AT&T?

ANDREW: I'm not avoiding AT&T.

JOE: OK. Would you like to take a shot at that? Or —I'm going to look at it right —no. You —OK, Becky, good, save it.

BECKY: I have it. AT&T earnings. They came in with an adjusted 63 cents. That was 3 cents ahead of consensus. Consolidated revenue up 2.6 percent when you exclude —or the divested Advanced Solutions***(as spoken)***unit. That was the Yellow Pages one. Company had record cash flow, cash from operations of 11 1/2 billion, free cash flow of 6 1/2 billion in the third quarter. And it's increasing its full year of free cash flow guidance by more than $2 billion. IPhone is always a big deal when it comes to AT&T. They had 4.7 million activations in the third quarter. I'm not sure what the analysts were looking for. But they also are saying that they had the best ever third quarter churn, postpaid churn of 1.08 percent. So again, a beat by 3 cents, and it looks like some pretty strong numbers also increasing their free cash flow guidance by more than $2 billion.

JOE: Yeah. So the lowest churn, is what you mean, not the —yeah, so the...(unintelligible).

ANDREW: The lowest churn...(unintelligible)...right.

JOE: Yeah, churn.

BECKY: Yeah, best ever, lowest —best ever meaning lowest churn.

JOE: Yeah. Yeah, with...

BECKY: Postpaid churn of 1.08 percent.

JOE: At this point, with AT&T, people just look at how they do in terms of wireless and wireless ads...

BECKY: Yeah.

JOE: ...and how much people are spending for...

BECKY: And iPhone.

JOE: Yeah. And then, of course, you know, you watch —what unbelievable yield, 5 percent yield. I don't know why Buffett doesn't put all his money in Verizon and AT&T. I'd get —I mean, when you're getting...

BECKY: Warren, you want to answer that? Verizon and AT&T, you ever look at those companies?

BUFFETT: I don't know what it'll look like five or 10 years from now.

BECKY: All right...(unintelligible).

JOE: There he goes again.

ANDREW: (Unintelligible)

JOE: Wow. You get a hundred years from now, five or 10.

ANDREW: Hundred years from now, right.

JOE: So 5 percent in the meantime. You know, that's true, though, Warren. People would say, 'Wow, you got a 5 percent yield.' Doesn't take much for stock to go down 5 percent, does it? I mean, that yield doesn't necessarily hold up if the markets had its...

ANDREW: But these things are like tollbooths, so...

JOE: Yeah.

ANDREW: Right?

JOE: Yeah.

BUFFETT: Yeah. Yeah, we mostly buy stocks for future earnings. And if they use the money to —if you used all the money to repurchase shares like Henry Singleton did with Teledyne years ago, that could be even more advantageous.

JOE: Yeah.

BECKY: Because you end up owning a bigger and bigger chunk of the company.

BUFFETT: Bigger, bigger. IBM spent 3 billion in each quarter this year, almost to the dollar, buying in stock. The cheaper they buy it, the more our interest goes up.

BECKY: You still like IBM even after all the troubles technology companies have seen?

BUFFETT: Well, they're struggling a little, and it was kind of interesting, in the —we owned —we own a little more than we owned at year-end, and we got great confidence in that over the years. But in the third quarter, they had a sale of a subsidiary, RSS, that produced about 288 million, I think, after tax, which was all the gain. And to my knowledge, The New York Times did not have a line on it, The Wall Street Journal did not have a line on it, the FT did not have a line on it. Didn't get discussed. It was one line in the report and it accounted for all the gain and earnings, and it was a sale of a part of a business.

BECKY: Hm.

BUFFETT: You know, I think the reporting missed the boat on that one.

ANDREW: Yeah.

BECKY: OK, we're going to talk more about IBM and some of your other investments when we come back.

And, Andrew, we'll send it back over to you guys.

ANDREW: OK, thanks, Becky.

Still to come from GE's Middle Market Summit in Columbus, Ohio, we've got more of Warren Buffett. And then later, General Electric chairman and CEO Jeff Immelt on business conditions, avoiding the fiscal cliff and much, much more. You don't want to go anywhere. We've got a big show ahead.

JOE: We got a new —there's a new picture.

ANDREW: And we got a new picture.

* * *

BECKY: Welcome back, everybody. We are with Warren Buffett this morning in Columbus, Ohio, at the National Middle Market Summit, which is sponsored by General Electric and Ohio State University's business school here. You know, Warren, we've talked an awful lot about businesses. I want to get back to IBM in a little bit. But the reason we're here today is because of this focus on midsized businesses. There's been an awful lot of questions about jobs and the jobs picture out there. Midsized companies account for a lot of the job growth that we have seen over the last several years. They've been net adders of jobs. Can you talk to us a little bit about what Berkshire's been doing in terms of jobs?

BUFFETT: Well, yeah. Berkshire probably has at least 50 of its 75 companies that would fit the —fit the middle market 10 million to 1 billion of sales category. It looks to me —there's a few months left — but it looks to me like we'll add at Berkshire, on a base of 270,000, we'll probably add about maybe 8,000 jobs organically, and then we'll probably add another 10 or 15,000 on acquisition, so...

BECKY: For this year that we're in right now?

BUFFETT: This year, yeah, yeah, yeah. Certain businesses like GEICO and Burlington Northern add people and then we bought —we bought a fair number of what we call bolt-on acquisitions, not big deals but they bring with them a thousand or 2,000 people sometimes.

BECKY: In terms of the jobs growth, what about the companies that are related to housing? You've been talking about how you've seen a turn there. Has that translated into any jobs growth and...

BUFFETT: There's some jobs growth. I mean, you know, our Clayton Homes is going to produce maybe 15 percent more homes or something like that this year, and that takes more people. And GEICO is going to sell more insurance policies and that takes more people. And the —our furniture businesses are doing very well. We're selling a lot of carpet and furniture. And so we add people, but we've also going to add quite —we've made more bolt-on acquisitions this year than ever before in our history by some margin. And they bring with them thousands and thousands of people.

BECKY: How much cash do you have on hand right now?

BUFFETT: We probably have at least 40 billion.

BECKY: Are you in the hunt —on the hunt for another big acquisition?

BUFFETT: I'm salivating, yeah. A fellow handed me a card last night and he said, `This will cost you 6 billion.' And he didn't give me the financials, but I'm going to call him when I get —I know the company so when I get home I'll call him and I'll ask him for the financials and...

BECKY: What —have you looked at any other big acquisitions?

BUFFETT: We had two acquisitions this year, possibilities, that were plus and minus 20 billion and where the CEO wanted to do it but it didn't get done. Prices are tough.

BECKY: Prices are tough right now.

BUFFETT: Yeah.

BECKY: All right. We're going to...

BUFFETT: And cheap money makes that —that's a factor in there.

BECKY: We're going to talk more about that in just a moment. We're going to slip in a very quick break right now. When we come back, we'll talk a little bit more about the market for acquisitions and why there's so much money around out there. By the way, tomorrow is a big day for Joe. He's going to be hosting "Office Hours" after the show. You can like our Facebook page, you can send him comments and questions, and he'll be responding starting at about 9 AM Eastern time. "Squawk" with Warren Buffett back after this quick break.

* * *

ANNOUNCER: Welcome back to this special one-on-one interview with Warren Buffett, chairman and CEO of Berkshire Hathaway. Here now, Becky Quick.

BECKY: Welcome back, everybody. We are coming to you live from GE Capital's Middle Market Summit that's taking place at Ohio State University in Columbus. I'm joined this morning by Berkshire Hathaway chairman and CEO Warren Buffett.

And, Warren, you were just talking about how you've been on the prowl looking for big acquisitions around 20 billion or so. A couple of them have fallen through, but part of it is because pricing is so difficult right now. It's...

BUFFETT: Pricing's difficult and money's cheap so...

BECKY: Yeah.

BUFFETT: ...we don't leverage our purchases so we're buying on an all equity basis. But people who do leverage are getting significant portions of the purchase price at very, very low rates, probably as low as they've ever gotten. So that enables them to bid pretty aggressively. And it doesn't factor into our thinking.

BECKY: But you think at this point maybe some of these acquisition prices are getting a little out of control?

BUFFETT: Well, that's the way I feel but, you know, that'd be —that's natural when you're getting beaten out.

BECKY: But you won't raise your prices to compete.

BUFFETT: No. No. We —but —now we've had a record for bolt-on acquisitions. We've probably done, I don't know, maybe 15 different acquisitions, but they probably only add up to maybe $2 billion or something of the sort. And they're good and they fit in with the companies we have, but what I really like is the elephant.

BECKY: So you're always out elephant hunting...

BUFFETT: Absolutely.

BECKY: ...with your elephant gun?

BUFFETT: Yeah, yeah.

BECKY: Can you...

BUFFETT: And they're more likely to come along when either money conditions are fairly tight or something of the sort because if you can borrow money at these rates, you can pay a lot of money, and, you know, and other people, if they pay the wrong price, they walk away from them, but if we pay the wrong price, we live with them forever.

BECKY: So if these deals haven't gone through, that means you've been looking more aggressively for stocks to buy in the market and as a result, you've got more cash to do that?

BUFFETT: Well, we're always looking for stocks, and I've got two fellows that are working for me that are really looking for stocks all the time. And —but I usually end up buying more of something I already know. Any new company, any new stock I look at, I measure it against the best idea I've got among the present ones. And I'm perfectly willing to just keep adding to the present ones. So it has to beat them. And I know those companies pretty well so it's a pretty high threshold.

BECKY: Let's go back to IBM.

BUFFETT: Right.

BECKY: You were talking just a moment ago about IBM. Have you added any shares to that company in the last couple of months?

BUFFETT: Maybe —I don't know if it'd be quite a couple of months. We've added —we've added shares this year. We haven't added a lot of shares but we've —well, we've probably added, you know, it'd be in many hundreds of millions. Wells, we probably added maybe a billion dollars' worth this year, something like that.

BECKY: When you first announced your stake in IBM, it caught a lot of people by surprise because you have always stayed away from technology companies. You've said it's something you didn't really understand and so you didn't want to get involved with it.

BUFFETT: Right.

BECKY: What —in looking at IBM, you said it was a little different situation. It made sense to you at that point. I guess part of that is the services factor of it.

BUFFETT: Right.

BECKY: But when you look at these big technology companies, it looks like some of them may be maturing. Have you regretted getting into IBM shares at all?

BUFFETT: No. I'm delighted to be in it. But —and I think they'll probably do better abroad than in the United States over time. But I do —when we buy something like that, I go to our companies and see what they're doing and what they plan to be doing in future years and how tied in they are with given suppliers and how much stickiness there is to it. And so we —I —even though, you know, if you put me in a computer room and spin me around, I'm lost, you know. I'm just hoping somebody comes here and helps me get out. But I do know what our managers tell me about their plans and the degree to which they're involved. I had one manager tell me something —I guess it isn't quite repeatable, nevertheless, in terms of you get pretty locked in sometimes with your —with your supplier.

BECKY: What's not repeatable?

BUFFETT: Well, I asked him how sticky —I won't name the company —necessarily was when you got in there, and he said, `Well, it's like getting AIDS.'

BECKY: So it sticks and it sticks around.

BUFFETT: Yeah, yeah.

BECKY: It really does. You know, I should bring up the insurance companies because we didn't talk about that before.

BUFFETT: They're big.

BECKY: Jim Cramer had said he's very interested in hearing more about what's happening with insurance because a lot of insurance companies have been doing very well lately.

BUFFETT: Yeah.

BECKY: What can you tell us about Berkshire's insurance companies?

BUFFETT: Well, Berkshire's insurance companies are doing well. I mean, we have about 70 billion or other people's money. We call it float. And when we run at an underwriting profit, that money is just like you gave me 70 billion and I get to earn all the money on it. And this year so far we've had an underwriting profit. So not only have they given us the 70 billion, but they've given us some more money to hold it, and we get all the investment income from it. So when insurance is good, it's terrific, and it's been good this year.

BECKY: What do you know about the consumer, not only from the companies you have at Berkshire that you own outright, but from a company like Coca-Cola and from being able to look around the globe to see how consumers are feeling? There's been a lot of pressure on some of these consumer products companies because prices for commodities have gone up and sometimes they can't pass those on to their consumer.

BUFFETT: When you think about it, Coca-Cola's been around since 1886. That's pretty amazing, isn't it?

BECKY: Yeah.

BUFFETT: And it's the basic product. Now it's got a whole bunch of extensions, too. But Coca-Cola's physical volume, not dollar sales but physical volume, was up 4 percent in the first nine months, and that's in a world that's growing maybe at 1 percent. So their per capita usage or Coca-Cola products has gone up almost every year since

1886. I mean, they —Muhtar Kent has done a terrific job running that company. It's a huge distribution machine. In Mexico I think the number now is up to over 600 plus eight-ounce servings per capita of Coca-Cola products man, woman and child, which is at least 50 percent higher in the United States, but that —and it grows every year. It grew in the first nine months. It's quite a product.

BECKY: We still have a lot of your other investments to talk about including American Express, Procter & Gamble. We'll get to that in just a little bit, Warren, if you'll hold on with us through another commercial break.

BUFFETT: I'm not going anywhere.

BECKY: Still to come this morning, as we mentioned, we have much more with Warren. We are also going to be talking about everything from the fiscal cliff to Simpson-Bowles. We're going to be adding the man who runs one of the nation's biggest conglomerates. We're going to find out what GE's Jeff Immelt is hearing from customers about the state of the economy. We will find out at the top of the hour. By the way, check out the futures right now. We have been higher throughout the morning. Right now, those Dow futures are up by 42 points after a big down day for the markets yesterday. SQUAWK will be back after a quick break.

* * *

ANDREW: One more hour with one of the world's richest men, Warren Buffett, on the markets...

BUFFETT: If the market is down, you know, I'm happier buying. I like to buy.

ANDREW: ...on Europe...

BUFFETT: The European banks still are leveraged to an extraordinary extent just because they don't know how to get out of it.

ANDREW: ...and a lot more. Rise above the political rhetoric with the Oracle of Omaha.

JOE: And another special guest this hour, GE chairman and CEO Jeff Immelt on the company's latest quarter, the state of the economy and the impact of the fiscal cliff. The third hour of "Squawk Box" begins right now.

* * *

JOE: Let's now get back to Becky at the GE Capital Middle Market Summit at Ohio State University in Columbus. She is joined by Warren Buffett and another special guest. Hey, Becks.

BECKY: Hey, thank you, Joe. You know, as you mentioned we have another special guest with us joining us right now. Jeff Immelt, who is the chairman and CEO of General Electric. And, Jeff, thank you very much for joining us this morning.

JEFFREY IMMELT (General Electric Chairman and CEO): Becky, good to see you again.

BECKY: You know, Warren's been laying out for us what he sees from the economy this morning, and GE probably has one of the best vantage points of any company to see what's happening around the globe. I know you talked a little bit about it with earnings but the market seems to have been caught by surprise by what it's been hearing from companies just over the last week or so. What does it really look like out there and do you think the market's overreacting?

IMMELT: You know, Becky, I think the general trend is still positive. There's just volatility as we've kind of climbed out of this recession. I always think about four big factors. The U.S. gets a little bit better every day, we can see that around housing. You know, I think there would be more investment in the U.S. if there was more clarity around the fiscal cliff and things like that.

BECKY: Yeah.

IMMELT: Europe is bad, but not shockingly bad. You know, in other words it's going to be tough, there are still pockets, but Europe's tough. China is —there's not one China, there's multiple economies in China. Construction I think is slow, but if you're in the health care or aviation business in China, it's still very robust. And I just got back from a trip to Saudi Arabia, Abu Dhabi, Algeria, Bangladesh. There's business in all those places, right. So I think if you're out hustling you can find business. So I think the general trend is positive, but there is volatility in the world.

BECKY: But so from that perspective, I mean, from both you, you seem to have a more positive outlook than maybe what the market is reacting to over the last several days.

IMMELT: Look, I think you can't blame investors for, you know, what they read and what they see. And you're going to have a couple of days like what we've had. But if you —if you step back, you know, I think, you know, for a company like ours, our organic growth was up 8 percent on the quarter.

BECKY: Yeah.

IMMELT: That is —that is high, you know, and 10 percent year-to-date on a company our size, that is pretty good. A backlog of more than $200 billion, that's pretty good. So I just —and, you know, we had dinner last night with 20 mid-market companies.

BECKY: Yeah.

IMMELT: Some are doing poorly, but a lot are doing well. But, you know, I just think it's volatile, right, and so you're going to have a day like we had yesterday or a day like we had Friday and people are going to have concerns. Who can blame investors for, you know, for seeing it that way? But the general trend that I see, and we see 140 countries, is still generally positive, with volatility.

BECKY: With volatility.

IMMELT: Yeah.

BUFFETT: And he's getting good prices for locomotives and turbines and all these things he's selling.

IMMELT: Would you like to buy —would you like to buy a few more, Warren, or I could sell you this morning. Get out my order book.

BUFFETT: He's never given me a cents-off sale.

BECKY: Hey, I know Joe has a question as well. Joe:

IMMELT: Hey, Joe.

JOE: Jeff, I'm Joe Kernen with CNBC. We used to be one of your favorites, I don't know, a while...

IMMELT: Joe, 49 percent of —49 percent of NBC is still 100 percent of CNBC. So don't forget that.

JOE: All right, all right. Jeff, you know, GE Capital, the other report that's like raking in money again and what I'm told is that the company continues to shrink it to some extent I guess to right-size it if you will, but wow, it's making money, it's paying a dividend back to GE again and is there a tendency to want to say 'let's ramp it back up'? And I mean it was a great unit for years and years and years. You know, giving so much profit to the company. Is there a tendency to want to do this? Do you have to pull yourself back and say, all right, we're going to get this to where we don't what to get, you know, get to that point again?

IMMELT: Look, it's a great business, OK? I think the difference in this recovery vs. previous recoveries is just one of discipline. There are segments in financial services that we do better than banks. This is one of them. Mid-market lending, we just do it well. We're going to continue to grow the places that we do better than our competitors and let those grow. I think what's different, Joe, is you know, we're just not going to do the incremental or the —you know, some of the distressed stuff we used to do just because we could and I think we're —you know, we've got a green light on assets we're great at. We're going to continue to grow those. And look, you know, GE Capital in almost every way is healthier today than at any time in its history. We —our leverage is lower, our liquidity is better, our margins are better. And someday, investors will agree with me that this is a valuable business.

JOE: Yeah.

IMMELT: But, you know, we're going to stay in it and there's segments that we're going —we're going to do really well in.

JOE: Yeah. We're —I have one more...

BUFFETT: I was —I...

JOE: Oh, sorry, Warren. We're —Warren and I are both large shareholders in GE and I —we have a lot of questions.

BUFFETT: That's right.

JOE: Yeah, we have a lot of questions about, you know, the portfolio mix as, you know, as shareholders, maybe. I think Warren's got a little bit.

BUFFETT: Joe, if we —if we vote together, Joe, I think we can control the company.

JOE: I'm with you, I'm with you on that. Jeff, my other question had to do with —I mean, we keep talking about the natural gas story and fracking. And number one, I know GE's involved in a big way in all parts of energy production and natural gas. Is the portfolio right now in energy, does it have enough exposure to natural gas, that's my first question. And number two, have you looking out 20 years, has wind become less of a —less attractive long-term because of what's happened with natural gas?

IMMELT: You know, Joe, I think natural gas is one of the big stories of our generation. It's big, it's real, it's a game-changer. We made the decision 10 years ago to be long gas, both from an exploration standpoint and from a power generation standpoint. So we see the trend unfolding. We have a great exposure to it. We think this is a long-term really dominant trend and we love it. We've also made the choice to be a broad-based energy supplier. Wind is going to have its fit, nuclear's going to have its fit, coal's going to have its fit. You know, we paid $200 million for Enron's wind business 10 years ago. Let me tell you, we've generated billions of cash. The cost of electricity of wind is down to 7 to 8 cents a kilowatt hour. So it's going to have a fit. Whether it's in the U.S. or not, you know, remains to be seen, but I'm glad we've got the breadth. But, you know, Joe the big story's gas, let's be clear. The big story's gas and we are super long gas.

BECKY: OK, gentlemen, let me ask you both about the fiscal cliff. We have talked to a lot of business leaders about it. I know it's an issue that you are both concerned about. In fact, yesterday the lead story in the Financial Times, Jeff, was a story that we talked about on SQUAWK...

IMMELT: Yeah.

BECKY: ...about how GE is actually looking to make some moves ahead of that, selling bonds to make sure it doesn't have to be in a position to get caught up in whatever's happening in Washington in that point. How big of a problem is it, what do you think needs to be done? And I'd like to hear from both of you on that.

IMMELT: You know, Becky, the research that we've released today among mid-market companies I think says that they've all slowed down because of the uncertainty.

BECKY: Right.

IMMELT: In the case of GE we're a high-tech, long-cycle business. Boeing depends on us to keep investing in our engines no matter what, so we're going to do that. We're going to keep going. But there's no reason why this can't get resolved. You know, we're a group, we're a member of a group called Fix The Debt.

BECKY: Right.

IMMELT: There's almost 100 CEOs that are parts of that. It basically endorses Simpson-Bowles. I think everybody believes that we're going to be plus or minus 10 percent of Simpson-Bowles. Let's get it done. You know, people say business leaders should be more vocal. Look, we're vocal.

BECKY: Mm-hmm.

IMMELT: You know, this is a —this is a complete distraction at a time —an important distraction at a time when the country doesn't need it. So I just think, you know, everybody is planning. Every business is planning for something that's plus or minus 10 percent of Simpson-Bowles. I don't get it, and you're going to have Dave Cote on tomorrow.

BECKY: Right.

IMMELT: He's been the leader of this. You know, he's a very respected guy in the business community. It is filled with everybody who's run big companies in the country. We are —we are saying let's get this done.

BECKY: You guys feel like you're talking and Washington's not listening? What...

BUFFETT: Well, Washington's on hold because of the election.

BECKY: Right.

BUFFETT: But they'll not only hear people talking, they'll hear people shouting. There'll be a march on Washington by business if something akin to it. I mean, it's man-made. Everybody knows what the general solution should be and you can argue about whether revenue should be 19 or 18 1/2 percent of GDP or whether expenses should be 21 or 21 1/2 or —but everybody knows basically what the solution is. And Bowles-Simpson fits in there —Simpson-Bowles. We're going to stay away from that acronym of Bowles-Simpson. The Rivlin-Domenici, I mean, there are hundreds of people that could —that you know that could design a sensible plan, and any plan that gets Dick Durbin and Tom Coburn to sign on, you know, that reflects a lot of negotiation and effort by two terrific people in Simpson and Bowles. It's going to get done and the American people won't stand for it not getting done. And I —incidentally, I think it'll get done with —I don't mean Simpson-Bowles precisely, but something materially...

BECKY: Some sort of a...

BUFFETT: ...close to it will get done by either person selected.

BECKY: And by that I mean, a lot of Americans probably don't even understand what's in it. You're basically talking about a plan that will lower tax rates, strip out a lot of the loopholes or things that we've built in as policy and decided that we want.

IMMELT: Four trillion dollars over 10 years, Becky. It's about a billion four or five of revenue. It's 2 1/2, 2.6...

BUFFETT: Yeah.

BECKY: Of cuts.

IMMELT: ...you know, lower the tax rate, broaden the base, you know, global system, stuff like that. You know, we're not going to like —you know, I guarantee we're not going to like all of it.

BUFFETT: No.

BECKY: Right. And that's...

IMMELT: You know, so I guarantee you.

BECKY: ...just it. Everybody's going to have something they don't like in it.

BUFFETT: And you got to deal with signing on to it, too, right?

IMMELT: But you know, you know, Warren, I think the beautiful thing about American business is how flexible and how fast we adjust, you know. It just is today the most resilient economic system on earth. And I've seen them all. And business people small and large are going to figure out, 'OK, this is a business I can be in. I can —I can do this, I can't do that, let's go.'

BECKY: But you want a plan, you want to know what it is.

IMMELT: Look, it's just the stakes are so gosh darn high for the country and for all of us. I don't get why we can't do something this important. You know, in other words, you know, I understand there's two opinions on everything, I understand there's Republicans and Democrats. I just think, you know, what I say inside GE is nervous laughter is a bad strategy, you know? It's kind of like 'oh, my, this is really important, I hope something bad doesn't happen.' That's a bad strategy, you know, so I think it's —we just need...

BUFFETT: We're...(unintelligible)...about it at Berkshire.

BECKY: You know, I know Andrew has a question, too. Andrew:

ANDREW: Hey, Jeff, I'm curious on the issue of Simpson-Bowles, have you scored what GE's effective tax rate would ultimately be and how it would impact the business?

IMMELT: You know, my hunch, Andrew, is that the tax rate goes up probably and I think we're kind of ready for that. But, you know, the notion that you can have a territorial system and have flexibility on cash, I think that's a positive that supersedes everything else. I just think that's —you know, and again, we're not asking for —we're asking for the same system that every one of our global competitors has.

Siemens, Toshiba, every one of our global competitors lives in a territorial system. All we're asking is for the chance to compete on a — on a level playing field against those guys. I —you know what I always say, Andrew, is 'look, like us or hate us we're kind of the last American company standing in all the industries we're in.' You know, we compete against global guys in everything we do. Just give us the same system that they've got.

ANDREW: Right.

IMMELT: And I don't think that's too much to ask for.

ANDREW: Hey, Jeff, real quick while we have you, we talked to Warren in the last hour about Bernanke and QE3 and the impact. Your —you were able to see some bonds at some pretty great prices. Are you worried? Warren seemed to suggest that he was a little bit about where we really are.

IMMELT: You know, again, I think as much as anything else as I read what Chairman Bernanke has said there's a sense of consistency in his actions where he has said he's going to keep the cost of money low until the economy gets better and he's been consistent to his word. So if you love him or hate, you know, QE1, QE2, QE3, I think he's been the one person that has led to some consistency around where we are. Now, did business need —when interest rates are zero do you need interest rates lower to borrow money? I don't think so. You know, in other words this is not necessarily the problem we have to solve today, you know? And so I think there's people smarter than I am that can figure that out. But I think if you take that aside and given the gridlock in Washington, it ain't —and what's going on in Europe and other places, it's not bad to have had one person in power who's been more or less consistent from 2008 to today.

BECKY: Yeah.

IMMELT: And I think we at least have to give him credit for that.

BECKY: Absolutely. Gentlemen, very quickly, when it comes to the fiscal cliff, would you each put odds on whether you think we go over this fiscal cliff in January and go over maybe a day or two or something? What are the odds you think we go over in a bad way vs. we find some sort of a solution?

BUFFETT: I would say there's a pretty fair chance we go over for a short period of time. But, you know, who knows? It'll —it depends on which fellow's elected president and it depends on the composition of the House and —but they will —it's going to get done, Becky, and...

BECKY: Quickly.

BUFFETT: ...how much —you know, how long they want to be in the sandbox before they come up with answer that's obvious, they can come up with today, that just depends on the personalities of leaders of the House and leaders of the Senate and the president. I don't think it will go on a long time.

BECKY: But you get a...

IMMELT: But if August —you know, Becky, if August of 2011...

BECKY: Mm-hmm.

IMMELT: ...hadn't happened I would say the odds were zero, you know, when we —when we defaulted and lost the credit rating. So I think companies have to be prepared that it might happen. But let's be clear, it shouldn't.

BUFFETT: It shouldn't.

IMMELT: You know, let's be really clear. If it does happen, that's a failure of governance and that's something that we shouldn't expect.

BECKY: Yeah, and shame on them if it does happen. Gentlemen, thank you both very much. Warren's going to be sticking with us. Jeff, I know you have to get to the summit here.

IMMELT: We got —we got...

BUFFETT: (Unintelligible)

BECKY: A lot of guests.

IMMELT: I got to do some selling —I've got to do some selling, so...

BUFFETT: Yeah, yeah, I'm a lousy salesman so I'll stay.

BECKY: We appreciate your time very much.

IMMELT: Great. Thanks.

BECKY: When we come back, as we mentioned, we will have more from Warren Buffett throughout the show. Up next, though, we're also going to be talking about some stocks on the move this morning. We'll tell you which companies to watch ahead of the opening bell. A lot of earnings out there this morning. Also, a very quick programming note for you. Don't miss a CNBC exclusive interview with Goldman Sachs chairman and CEO Lloyd Blankfein. That is today 11 AM Eastern, "Squawk On The Street." We'll be back after a very quick break.

* * *

JOE: And another stock we're going to be watching this morning, Warren Buffett telling us earlier that he's been buying Wells Fargo this week. And that stock has turned up since those comments.

ANDREW: OK. Coming up, we have a lot more ground to cover with Warren Buffett. We're going to get back to Becky and Warren in just a moment.

(Announcements)

ANNOUNCER: Welcome back to this special one-on-one interview with Warren Buffett, chairman and CEO of Berkshire Hathaway. Here now, Becky Quick.

BECKY: Welcome back, everybody. We've been speaking with Warren Buffett all morning long. And, Warren, one of the things we haven't talked about yet is another one of your major holdings. I think Procter & Gamble is maybe your fifth largest holding?

BUFFETT: It could be.

BECKY: Well, there was a story yesterday in The Wall Street Journal that took a look at Bob McDonald, the CEO. There had been a lot of questions in the past raised by Bill Ackman, an investor who's put quite a bit of money into it about whether or not Bob McDonald's up to the job. Yesterday, the Journal added that there was a letter sent to the board of directors that came from a former manager who said a lot of managers agreed with him about some of his concerns about Bob

McDonald's leadership. So where do you stand as an investor in Procter & Gamble and what do you think of Bob McDonald?

BUFFETT: Well, we've owned more shares in the past, but we sold some shares under A.G. Lafley, we sold some shares, that's related to valuation. And frankly, the earnings on Procter & Gamble have been disappointing now for a few years. McDonald's a terrific human being. What goes inside the place, what mistakes have been made, what the plans are, I'm really not —I don't know the answers on that. But you've got to say that Procter & Gamble was, you know, the jury's out on that now because they have disappointed in terms of earnings and we'll see what happens. I know that the board is actively engaged in trying to come up with a strategy that they think makes sense to take the earnings forward.

BECKY: In the past, you've said that when you sell a stock, it's because you find something else that is a better investment, a better place to put your money. Did you sell that stock to —for any other particular purchase or was it just...

BUFFETT: No. We sold that, we've sold Kraft, we've sold some companies that are very, very good companies. And we've used that money, we've used it to buy, what, 11 or $12 billion worth of IBM in the last 12 months. We've bought —we bought more Wells, another billion dollars' worth of that. And then we bought some more Wal-Mart a while back, another 7 or 800 million of that. And then additionally, I've given some money to these two new managers to run, too. So you'll see a lot of stocks that they've selected. So the money moves around. It moves around pretty slowly, but it moves around.

BECKY: Todd and Ted, we maybe talk more about them in just a little bit. Those are the two managers that you're just referring to.

BUFFETT: Right. And I'm giving them more money as we go along.

BECKY: OK. We'll talk more about that in just a moment. When we come back, we'll have more from Mr. Buffett. Stick around, "Squawk" will be right back.

* * *

JOE: Let's now get back to Becky and Warren Buffett. Can you —can I —do you mind?

BECKY: No.

JOE: Can I ask him...

BECKY: No, no, no.

JOE: Are you sure?

BECKY: You have to wait. Yes. You can wait. You can come in in just a moment.

JOE: Oh, OK. You're good.

BECKY: I have one question I want to ask him and then you.

JOE: OK.

BECKY: I have one question I want to ask him and I know that you're going to want to play in this, so stay with me for one moment.

JOE: OK. All right.

BECKY: But Warren, I think we've let you go for long enough. You are a big supporter of President Obama.

BUFFETT: Correct.

BECKY: We have an election coming up.

BUFFETT: Correct.

BECKY: Things have changed in the polls over the last month or so, probably since the first debate. What do you think's going to happen at this point?

BUFFETT: Well, I have no insight that anybody else doesn't have. I — you know, I —if you go to InTrade or something, I —their odds would be about the same as my odds.

BECKY: InTrade's odds are different this morning. Joe was just pointing them out a little bit.

BUFFETT: If they —well...

BECKY: What are they this morning, Joe, 54 percent?

JOE: Fifty-five now. Fifty-five and change.

BECKY: Yeah.

BUFFETT: That's movement. That's a fair amount of movement and I think there's active movement...

JOE: Now 56.

BUFFETT: ...and it may come down to who has the better ground game right here in Ohio.

BECKY: Right. You've been watching elections a long time, though. What do you think happened? I mean...

BUFFETT: Oh, I think the first debate changed things dramatically. I mean, they say in life you never get a first chance —a second chance to make a first impression. Romney got a second chance to make a first impression. And he had been portrayed a certain way. Through the Republican debates, through a lot of advertising, I mean, and he —in the first debate, 69 million people saw a different Romney...

BECKY: Mm-hmm.

BUFFETT: ...than they had more or less expected from the earlier Republican debates, as well as the advertising, so. He really got a chance to —it was huge.

ANDREW: Did you see a different —did you see a different Romney?

BECKY: Mm-hmm.

ANDREW: Warren, did you —did you feel that you saw a...

BECKY: He's asking if —did you see a different Romney in that —in that first debate?

BUFFETT: Well, I saw —yeah. I saw him behave differently, yeah. I mean, he was less robotic. You know, I mean, he was —he was aggressive without being rude.

BECKY: Mm-hmm.

BUFFETT: And Obama was down that night. I mean, there's no question about it. I mean, that was a —that was a huge factor in the campaign.

BECKY: You know, you've been a huge supporter of the president. Do you think it matters who gets elected and what it means just for business next year based on who gets elected?

BUFFETT: Well, I do think that under either of the two candidates, either one that becomes president, American business is going to get a lot better over the next four years. I think that in terms of social policies, I think if I were a woman concerned about reproductive rights, I think there could be a very distinct difference. I was concerned about Supreme Court appointments. I think there could be a distinct difference. But in terms of the economy, I think the economy will get better under either one of them.

BECKY: Joe, go ahead, I'm sorry.

JOE: I want to stick with politics a little bit, Warren.

BECKY: Yeah.

JOE: And you always surprise me. I never know how you're going to answer this. I want to talk about a local politician here in New York, and I'm talking about Mike Bloomberg, every Democrat's favorite Republican. Let's say that this caught on and that it was a nationwide ban on any Coca-Cola sold in a container which —that had sugar —any Coca-Cola sold over 16 ounces. Does that make sense to you, that to do that for the obesity problem? You're a big Coke shareholder. And then I think about, you know, Dairy Queen, and you know, ice cream's not good for you, either. And I figure there must be a way that's heading to obesity. And neither are those crummy hot dogs you sell in your Dairy Queens, but do you see this as something that makes sense to you? I mean, I know you...

BUFFETT: But first...

JOE: Yeah, go ahead.

BUFFETT: First of all, I've got to say Dairy Queen sales were up 5.8 percent in September, same store. So that —we did quite a bit better than McDonald's.

JOE: But do you see —do you see where I'm going with this?

BUFFETT: But I —and ice cream, I, you know, I thrive on ice cream. I eat it for breakfast sometimes and I'm 82, so you'll have to judge, you know, how I'm doing at this point.

JOE: Somebody might not like —somebody might not like you doing that at your age, Warren.

BUFFETT: Yeah.

JOE: Adding to cholesterol and you might get taxed on it because we don't really think it's a good idea for you to have ice cream for breakfast. Is that OK?

BUFFETT: Yeah. Well, let's look at the 16 ounces of Coke. Sixteen ounces of Coke has 200 calories in it. And I would say that there's an awful lot of servings and an awful lot of things that have 200 calories or more and the idea that you should say that you can drink 200 calories of something but not 210 or 220 seems to be kind of silly. You know, in the end, I've elected the foods to eat over the years that I like to eat and I think it's kept me quite healthy. And I think if I'd been on broccoli and spinach, I mean, I would've been gone a long time ago.

JOE: I mean, to me it's just...

BUFFETT: But I drink —I drink about —I drink...

JOE: I think it's —why don't you tell me it's preposterous and Bloomberg has got a screw loose. Why don't you say that?

BUFFETT: Well, because you've said it for me. But you know, I drink about...

JOE: All right. But you wouldn't disagree with me. It did just —and then, you know, I've had people in from Mount Sinai, doctors that tell me, hey, oh, well, cigarettes. You don't want to —you don't —want — it's like cigarettes, you don't want to tax cigarettes? We can't tax — and I go, well, red meat 20 years ago was supposedly the cause of all heart disease. And oops, that may not have been the end all, be all. So when did they decide...

BUFFETT: I eat lots of red meat.

JOE: No, it's not.

BUFFETT: I eat lots of red meat, Joe.

JOE: I...

BUFFETT: And I drink about 60 ounces, about five 12-ounce cans of Cherry Coke a day.

JOE: Whew.

BUFFETT: And that, you know, that's 750 calories. But I elect to get, you know, I'm going —I'm going to burn up 2700 calories or so a day.

ANDREW: It's your prerogative there, Warren. Right.

BUFFETT: And 750 of them are going to be Cherry Coke. And my doctor told me during those things is drink more —drink more liquids. And I said, you know, I said, how about Cherry Coke? He said it's fine.

JOE: It's insanity. It's insanity. And someone needs to tell this guy that, although he's still —he's still going to be every Democrat —or every Republican's favorite Democrat. I don't —Andrew, God, if he ran for president, you'd be out there.

BUFFETT: Yeah.

JOE: You'd have 40 signs in your yard, Bloomberg for president. If you had a —if you had a yard.

BUFFETT: I think —I've got to say, Mayor Bloomberg has done a lot of terrific things. I've seen him do it in charity, all kinds of things.

JOE: Well, this ruins it.

BUFFETT: But I —but I also had dinner with him in Sun Valley right after this came out and when they brought out the dessert, there was more than 200 calories in this dessert. And I was unable to determine why those 250 or 300 calories of dessert he was eating was different than my 20 ounces of Coke.

JOE: Right. Do what I say, not what I do.

BECKY: Did you ask him about that?

BUFFETT: Well, I actually had a great big bottle of Coke brought out. It was the biggest bottle I could find in Sun Valley.

BECKY: You really did?

BUFFETT: Yeah, absolutely.

BECKY: And did he drink from it?

BUFFETT: I drank from it. I wasn't going to let him have any.

BECKY: Getting back to the national election, you point out that it could be the ground game right here in Ohio...

BUFFETT: Sure.

BECKY: ...that makes all the difference. And I know you don't have inside information, but you've been watching elections for a long time. Your father was a congressman.

BUFFETT: Sure.

BECKY: You used to watch those races very quickly. What do you think it actually comes down to, what it means?

BUFFETT: Well, I think in —you know, in Ohio it may very well come down to organization. Now there's been a lot of early voting in Ohio.

BECKY: Right.

BUFFETT: That's organization. I mean, you want to get out your vote. You know, a lot of people say they'll show up on Election Day and particularly when you've got a history, as the Democrats do, of turning out less of their base than the Republicans, so early voting is a huge advantage to Democrats. They are not going to get the same percentage of their base out on Election Day as Republicans traditionally. So we'll see who has the better ground game.

BECKY: No matter who wins the election, we are going to be looking at different Treasury secretary.

BUFFETT: Right.

BECKY: Tim Geithner has made it pretty clear that he wants to go. You know a lot of people in finance, you know a lot of people. Have you thought about who might make a good pick for Treasury secretary?

BUFFETT: Yeah, I do. And I won't get a call from —I won't get a call from Governor Romney asking me my opinion, but I think I've got a pretty good idea. But I'll save that —we'll wait to see whether Obama's elected and then we'll wait to see if he calls.

BECKY: Is it a name that's been out —I mean, Erskine Bowles has been mentioned pretty frequently.

BUFFETT: Erskine Bowles would be a terrific guy. I mean, he is —he's smart, he's patriotic. You know, he would absolutely do the best job for the country. I'm not saying that's the name at all, but I —but I would —Erskine Bowles is a fine —a very fine human being and what he and Alan Simpson accomplished in getting those 11 to sign on, that is —that's huge. That takes real negotiating ability. That takes —it takes humor, it takes a decent human being to get people to come together like that. So I admire —I admire Erskine a lot.

BECKY: OK. Guys, I will send it back to you because I know we have to slip in another break.

ANDREW: OK. We're, of course, going to have much more from Warren Buffett still ahead. And don't miss "Squawk Box" on Friday. We're going to be getting third quarter GDP numbers. That's coming up 8:30 AM Eastern. We've also got a huge lineup leading up to that data. Former Treasury Secretary Larry Summers is going to join us for an hour. We're also going to talk to BlackRock's Larry Fink. They're going to weigh in on the markets, the economy, and the looming fiscal cliff.

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ANNOUNCER: Welcome back to this special one-on-one interview with Warren Buffett, chairman and CEO of Berkshire Hathaway. Here now, Becky Quick.

BECKY: I'd say it's more of a three-on-one interview, but let's get back to our newsmaker of the morning, Warren Buffett, who's been kind enough to be with us for the past, oh, hour and 45 minutes or so. You know, Warren, we look at Europe all the time and you've talked to us in the past about the euro zone crisis and what you see happening. You already talked a little bit about the European banks that you think that they're in a very different position than the American banks. But last week, François Hollande suggested that the euro zone is well on its way past this crisis, is really moving out the other side of things. Is that the impression that you get?

BUFFETT: No, I wouldn't say so. I mean, I don't —I don't know how it plays out, but I certainly don't feel that it's clear that it's on the road to recovery. I mean, they have a real banking problem. I mean, they, to some extent, encourage their banks to load up with sovereign debt so you have the sovereigns counting on the banks and the banks counting on the sovereigns. And you know, that creates a problem. And then it's going to be a very tough thing to have austerity and at the same time grow GDP. I —it's not an easy solution. Europe isn't going to go away. I mean, we'll be doing lots of business there five or 10 years from now, but I think it could be pretty rough there for a while.

BECKY: Is that a good argument for pulling back from the area? Or is this a time you think businesses should be reinvesting?

BUFFETT: Well, they either have to come closer together or —I mean, they're going to go in one direction or the other, but the idea of having a monetary union independent of, really, discipline on the fiscal side, although they said they had it originally, they've got to come closer together or it won't be sustainable.

BECKY: Although the ECB has made some major moves to try and reassure the markets.

BUFFETT: Yeah.

BECKY: And that certainly has given them quite a bit more time.

BUFFETT: Yeah. Well, it —you know, central banks can print money. They —it's a wonderful machine to have. Every —in economics, just like in life, generally, you never can do just one thing. I mean, anything you say you're going to do, it's going to have consequences.

BECKY: Mm-hmm.

BUFFETT: And sometimes those consequences are delayed. Certainly printing money has consequences. And you can say not printing money would have consequences to the United States, too, but we haven't seen —the movie's not over in Europe.

BECKY: Joe, you have a question, too?

JOE: Warren, do you —do you still think a single family home is one of the best investments around? And have you actually tried to figure out a way to invest in that? You'd like to buy 100,000 —you've said that you'd like to buy as many as you could, but they're impossible to manage and you can't really do it. Have you figured...

BUFFETT: Yeah.

JOE: Have you tried to figure out a way to do it?

BUFFETT: Yeah. And I've had a lot of suggestions from people after I made that statement. But it's not really feasible, certainly, compared to other things we can do with money. They're —it's just too big a problem to deal with small units like that and management problems and human problems. So I think that anybody that knows where they're going to want to live, has a reasonably assured income. I think they're making a terrible mistake if they don't buy a single family home now and get a mortgage at these rates. And they should get a 30-year mortgage. It's a —it's a —really a golden opportunity. It was a little bit better six months ago, but it's still wonderful now. You're not going to see a chance like this five years from now. I'll guarantee you that.

BECKY: Five years from now it's going to be a different picture, and that's interesting.

BUFFETT: Yeah. Rates will be higher and all kinds of things. I mean, this is —this is the time to buy.

BECKY: And you think prices will rebound, too.

BUFFETT: If you know where you want —you've got to want to live there, I mean, and a home's a wonderful thing.

BECKY: Hm.

BUFFETT: But I wouldn't buy one if I was going to move in six months or something of the sort.

BECKY: Hm.

BUFFETT: And I wouldn't buy one if I was terribly nervous about my job.

BECKY: Warren, a couple of times you have mentioned Ted and Todd.

BUFFETT: Yeah.

BECKY: Ted Weschler and Todd Combs talked about what they've been doing as an investment cycle. A lot of times we get these notes from the SEC just about what Berkshire's doing with its investments. How much of that is yours? How much of that is theirs?

BUFFETT: Very little of it's mine. I mean, if it's Wells Fargo or IBM or Coca-Cola, I mean, I've got four stocks that aggregate over 50 billion that I manage. And then I've got a bunch of other things, too. But the action is with Ted and Todd. And they're building up portfolios, and they will buy $500 million at a time of something. And they're probably more prone —one of the two is more prone to move around in securities than I would be. But there's a lot of styles that work. So I am enormously pleased. They're getting lots of contingent compensation, less than they would if they were running a hedge fund, and they're paying a higher tax rate than if they were running a hedge fund, even though they're doing exactly what they would be doing if they ran a hedge fund. It's a real —it's a real indictment of the tax system when you look at two guys who've just moved to doing the same exact thing from morning the night they did before and now they pay double the tax rate for it.

BECKY: Uh-huh.

BUFFETT: More than double.

BECKY: Wow. That's a good point. Andrew:

ANDREW: Hey, Warren, I wanted to get an update on my favorite subject, newspapers. You bought the Omaha World Herald earlier this year.

BUFFETT: Right.

ANDREW: You now had a little bit of time to get —to get under the hood. What do you think?

BUFFETT: Well, I'll have a big section in the annual report about newspapers, and I did write a letter to all our newspaper publishers. If you find —if you have a newspaper that's indispensable to a significant percentage of its community, I think you're going to do reasonably well over time. We still pay very, very low multiples for them. The trend of the newspaper industry is down. But you have to be primary about things that are of interest to your readers. And if they're —you know, if you're in Grand Island, Nebraska, where we have a product, we've got to be relevant to what people in Grand Island are interested in.

ANDREW: Right.

BUFFETT: And that's a much tougher problem as you get into bigger, metropolitan papers.

ANDREW: But it's working better...

BECKY: You know, this week...

ANDREW: Better or worse than you expected? I only say it because, you know, Newsweek just said they were going to stop printing recently. I know community newspapers are a different situation, but a lot of people always have questions.

BUFFETT: Yeah. Our small newspapers —and by that I mean towns of 20,000, 25,000 —our small newspapers this year that have operated throughout the entire year for us, the revenues are down about 1 percent. Our larger newspapers like Buffalo and Omaha and now Richmond, those papers, which are larger communities, their revenues, on average, would be down more like 4 or 5 percent. So there's a real difference based on the —on the relevance of the paper to a very wide —very significant portion of the community. The bigger the community, the harder it is to have a community feeling.

BECKY: You know, Warren, very quickly, earlier this week was the release of Greg Smith's book about Goldman Sachs, the guy who wrote that op-ed piece in The New York Times saying, `This is why I left Goldman Sachs.' Did you see any of the interviews that he has done? Did you take a look at any of the book. What do you...

BUFFETT: I haven't read the book. I saw an interview, but I think the idea of a guy 33, who was making $500,000 a year and is unhappy because he isn't making a million and probably in any other occupation but investment banking would be making $75,000 a year, I thought it was —I thought —the idea that one disgruntled employee leaving a company with 30,000 employees warrants an op-ed with no specifics really in it except the word Buffett, so I think I —I did not think that reflected great editorial judgment.

BECKY: OK. I bring this up because Lloyd Blankfein's going to be on a little later in the morning. Warren, obviously, we've covered a lot of ground, and we appreciate you for spending so much time with us and talking so much. When we come back, we still have the last word that we'll be giving to Mr. Buffett. And as we mentioned, coming up on "Squawk on the Street," there is a CNBC exclusive interview today with Goldman Sachs chairman and CEO Lloyd Blankfein. Make sure you tune in for that. That's coming up at 11 Eastern.

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ANDREW: Let's get back to Becky and Warren Buffett for the last word. Becky:

BECKY: Andrew, thank you. Last word, Warren, is a sort of free word association game that we've been playing lately. I say a word, you tell me what it makes me think of. And the question we get most frequently from people about you coming on is what should they be buying right now? So if I say buy, you say...

BUFFETT: I say —I say hold —basically hold. I mean, the idea that the European news or slowdown in this or that or anything like that, that would not cause you to own a good farm and had a run by a good tenant, you wouldn't —you wouldn't sell it because somebody said here's a news item, you know, this is happening in Greece or something of the sort. If you owned an apartment house and you got to raise your rents a little, it's well located and you have a good manager, you wouldn't dream of selling it. If you had a good business personally, the local McDonald's franchise, you know, you wouldn't — you wouldn't be thinking about buying or selling it every day. Now, when you own stocks, you own pieces of businesses, and they're wonderful businesses. So you can pick the best businesses in the world, and to buy or sell on current news is just crazy. You're in a wonderful business, you've got people running it for you. You know you're going to do well over five or 10 years, and to think news events should cause you to try and dance in and out of something that's a wonderful game is a terrible mistake. So get into a bunch of wonderful businesses and stay with them.

BECKY: But you said hold —I said buy and you changed it to hold. Does that mean don't sell or does that mean...

BUFFETT: Well, I mean, if you haven't —if you haven't got them yet, you buy them consistently over time. So you sort of average over time. And I've been buying all my life. I bought my first stock, you know, when I was 11 years old and it was about three months after Pearl Harbor and Corregidor was falling and they had the death march of Bataan, and all the news was terrible. It was a great time to buy stocks. And I should've held that stock forever, and I've been buying stocks ever since.

BECKY: All right. Guys, do you have any last quick thoughts?

JOE: So, hey —I do. Warren, you —have you met Zuckerberg? And if you sat down with him and he told you, is there any way that he could explain the business well enough to you to where you'd take a huge stake in Facebook?

BUFFETT: Probably not. That doesn't mean that I'm negative about it, I just don't understand it well enough, and I'm actually not even a member.

JOE: Yeah.

BUFFETT: There's a billion of them out there.

JOE: There's...

BUFFETT: So I have —I like to buy things where I feel I've got a reasonable idea about how a business is going to be doing five or 10 years ago —just like —10 years from now —just like I would buy an apartment house or a farm with the idea that I would think it was going to be a good thing to own five or 10 years later. And you...

JOE: Well, there is —there is a watershed event tomorrow that might change your view, and you are free to send me questions as well, if you'd like, Warren. But this is —this is a game-changer for Face...

ANDREW: Kernen's going to be on Facebook, so.

BUFFETT: Well, actually, Joe, I thought instead, you know, you've always wanted a share of NetJets. I've got a NetJets tie here, and instead of giving you an eighth, I'm going to take this —there's dozens of planes on this, and I'm going to give this to Becky to take back to you.

ANDREW: Wow.

BUFFETT: You are now a major Net —I mean...

BECKY: Here we go, Joe.

BUFFETT: Yeah, exactly.

JOE: A tie.

BECKY: Here we are.

BUFFETT: Dozens, dozens...

JOE: Thousands of jets, and I'm getting a tie. All right.

BUFFETT: Dozens of planes. Dozens of planes on it.

JOE: All right. Nice, Warren.

BUFFETT: OK.

BECKY: Well, thank you very much for your time today.

ANDREW: Thank you. Thank you, thank you.

BECKY: We appreciate it. Guys ..

ANDREW: Make sure you join us tomorrow. "Squawk on the Street" begins right now.

JOE: I get a tie.