Annual General Meeting

Company Participants

- Ajit Jain, Vice Chairman, Insurance Operations
- Akiko Fujita, Reporter
- Andy Serwer, Chief Editor
- Bahiyah Shabazz, Founder and Executive Director
- Charles Munger, Vice Chairman
- Debbie Bosanek, Secretary of Warren Buffett
- Gregory E. Abel, Vice Chairman, Non-Insurance Operations
- Julia La Roche, Correspondent
- Karen Wallace, Director of Investor Education
- Marc D. Hamburg, Vice President and Treasurer
- Meredith Benton, Principal and Founder
- Myles Udland, Reporter
- Pat Egan, President and Chief Executive Officer
- Rebecca Quick, Journalist, Newscaster and Co-Anchorwoman
- Ronald L. Olson, Director
- Tim Youmans, EOS North America
- Warren E. Buffett, Chairman and Chief Executive Officer
- Whitney Tilson, Founder and Chief Executive Officer
- William Green, Author

Presentation

Andy Serwer {BIO 15136542 <GO>}

I'm Andy Serwer Editor-in-Chief of Yahoo! Finance coming to you from Los Angeles. Right behind me Berkshire Hathaway CEO, Warren Buffett; and Vice Chairman, Charlie Munger will be appearing in just about one hour speaking directly to investors about Berkshire's business, the stock market and the health of the U.S. economy. There is so much to talk about today. There'll be questions about the business itself, succession, the reunion of Charlie Munger and Warren Buffett and shareholder proposals about climate change, diversity and more.

To discuss all this let me bring in our panel from Yahoo! Finance, that includes Akiko Fujita, Myles Udland and Julia La Roche.

Myles let me start with you, the Company just announced earnings this morning, break it down for us.

Myles Udland {BIO 20165611 <GO>}

Yeah, I mean this is an annual meeting and we do have first quarter results out from Berkshire of course, a lot of operating businesses in here. But the top line that we would traditionally look at we see here on our graphic about $64.6 billion in revenue from the Berkshire Hathaway empire. Investment gains during the first quarter $5.7 billion. I'm sure we'll talk -- or hear from Warren and Charlie a lot about that investment portfolio. And of course the accounting change that Berkshire and all companies required to go through a couple of years ago. Operating profits just over $7 billion in the first quarter, and the Company provided a little bit of color that I do want to call out. In its utilities and energy business earnings were up 25% over the prior year. We are certainly lapping some COVID comparables and we've seen that in corporate results throughout the last couple of weeks.

And then in its manufacturing service and retailing businesses, those earnings were up just under 30%, 28.5% during the first quarter. And so we hear so often from major corporations about the way that the pandemic recovery or we should just say the recovery out of the pandemic induced, recession has helped their businesses. And it seems so far like Berkshire Hathaway is no exception.

Now, Julia La Roche, something else that we saw a little bit of in this earnings release and we know we're going to hear from Warren and Charlie about is the cash on the balance sheet and the buyback program that continued in the first quarter.

Julia La Roche

Well, that's right Myles, I'm sure we'll get some color on those share repurchases and share repurchases hitting a record in 2020 and continuing in the first quarter something that shareholders always look toward. One of the things that I will certainly be following will be this reunion between these legendary investors, longtime partners, and incredible friends. When you talk to Warren Buffett, he often talks about how Charlie Munger made him a "better person". And while Buffett is often viewed as the public face of Berkshire Hathaway, the company as we know it today was actually built in the blueprint of a Charlie Munger, who's also -- does dabble in architecture. And I think this will be a moment where there'll be a lot more attentional on Munger. He's 97 years old, a polymath legendary investor with his incredible depth of knowledge, humor, wit. Always some colorful language at the Berkshire meeting. And this is why it is being held in Los Angeles this year. Last year of course because of the pandemic Buffett was in the CHI health arena, without any shareholders and also without his long time partner. So we had a great column from our very own Andy Serwer on this, this morning on Yahoo! Finance's Saturday morning brief. I recommend folks check it out.

And Akiko I know you'll be monitoring that cash pile that seems to be growing. I know it grew in the quarter and if we'll get any color from the investors on what they'll do with that.

Akiko Fujita {BIO 21777315 <GO>}

Yeah, no question about them, Myles just alluded to it. We're talking about $145.4 billion in cash at the end of the first quarter. And we've heard Warren Buffett tout this elephant size acquisition he's been looking for some time. Last year at the meeting we heard him say he just hasn't done anything yet because he hasn't found anything that is that attractive. I'd be curious to see if he's got his eye on something now, if his thoughts have changed on that front. It'll be also interesting to see how he's viewing the market conditions right now. Remember a year ago he made some headlines when he exited those big positions in airlines, United Delta, Southwest American. Since then we have seen some of those socks rally triple digits since the pandemic low. So is he maybe reconsidering some of those positions? Something to think about.

And then finally something that Andy just alluded to in the open that I think is going to be really interesting to watch is just how he's looking at what we've heard over and over as the froth in the market. Bitcoin certainly, I imagine will come up as a point of discussion here. We've heard Warren Buffett dismiss them, the cryptocurrency as having no value before calling it rap poison squared. Charlie Munger certainly no fan either saying that pursuit of the (inaudible) by the unspeakable. So we're sitting here talking about Bitcoin rallying what, 90% so far this year. So it's going to be interesting to see what he has to say about that among other things. But let's bring in our first guest for the hour.

We've got Karen Wallace, Morningstar director of Investor Education. Karen you've been hearing us sort of preview what could potentially come up as questions here in the shareholder meeting. What specifically are you going to be looking for?

Karen Wallace {BIO 3858867 <GO>}

Well, you know, a lot of things that you're mentioning have been on my mind as well. The fear of missing out, speculation. Buffett and Munger don't really like to speculate with their shareholders' money. The thing about Warren Buffett is that he didn't strike oil or develop software, inherit a big pile of money. He built his fortune by picking really solid businesses that generate a lot of cash and that he believes will continue to do well. And he takes the cash from that, he reinvests, he holds on for the long-term. He looks for new opportunities. He wants businesses that he can understand, which is a big part of it.

You can more accurately value a business if you understand what it does. He wants businesses that have good long-term prospects. Fear of missing out isn't his thing. He wants businesses that are run by honest and competent people because this is a long-term relationship, and he wants all of that at an attractive price. Which as you're both alluding to there is not too many opportunities out there. High quality businesses like this don't go on sale very often, but Buffett is a patience and he's a patience investor and he can wait for exactly the right pitch. To increase the success rate he doesn't look for companies that are kind of selling for less than his estimate of their fair value, which gives them some leeway in case his estimate isn't exactly right. But another really important part of his strategy is looking for companies that have competitive advantages or what he refers to as economic moats. Moats around the castle protecting the business and the profitability, but allow them to remain profitable.

Andy Serwer {BIO 15136542 <GO>}

Hey Karen, let me ask you about reports that indicates that some shareholders might be a little disgruntled both about the performance of Berkshire stock in recent years and also given those shareholder proposals that I mentioned about diversity and inclusion, climate change, directors and compensation. What do you make of that?

Karen Wallace {BIO 3858867 <GO>}

Well, he has tried to kind of put that into the hands of the company management before. It'll be interesting to see how that question is answered because I think a lot more pressure and obviously I haven't been to the shareholder meeting personally since 2019, but I remember a lot more questions coming up about that. It'll be interesting to see how that's answered because I really do kind of think that his view is that, the company managers kind of allocate their own capital and they make their decisions for themselves. But it is becoming something that more shareholders are curious about, right answers for. So it'll be interesting to hear what they have to say.

Julia La Roche

Hi, Karen, it's Julia La Roche. You were referencing some of the lessons that investors can certainly take away from listening to Warren Buffett and Charlie Munger. And as we were mentioning at the top of this, we've really seen the retail investor revolution in the last year, the rise of so-called meme stocks, more people entering into cryptocurrencies. So for the general retail investor, why do you think this is such a particularly important meeting for them to pay attention to?

Karen Wallace {BIO 3858867 <GO>}

Well, the cornerstone of our equity evaluation at Morningstar we borrowed a lot of Buffett's wisdom. We look for companies that -- so when companies kind of -- when returns on capital are exceeding their cost of capital for a long period of time, they're doing something right, right? And the businesses often have some sort of a competitive advantage that's sustainable or that's enduring. And Buffett refers to that as an economic moat. I think searching for these moats is more important than ever. And I think that especially if you look at the kind of businesses that Buffett is interested in investing they're cash powerhouses. Things like insurance, banking, consumer products, pharmaceuticals, these are things that kind of hold up well and there is a lot of opportunity for him to reinvest in the business to buy back shares to invest in the stock and bond markets as well even in the absence of a big, attractive acquisition that could move the needle. It's hard for Buffett -- it's hard for Berkshire to find some thing that's large enough for it to have to really move the needle in terms of our earnings, in terms of making a difference on the overall earnings of the company.

Myles Udland {BIO 20165611 <GO>}

And Karen, I'm curious also about the structure of Berkshire. I mean, as a conglomerate it's kind of outmoded. I think a lot of new investors don't realize the history of the conglomerate structure. Buffett wrote a little bit about that in this year's annual letter. And I'm wondering if you guys are thinking about Berkshire as kind of the last of its kind or did some of the big companies that we all know and love today, did they maybe try to emulate that structure as they mature in their life cycle?

Karen Wallace {BIO 3858867 <GO>}

It's interesting because it's sort of a collection of moaty [ph] businesses, right? And as our analysts Greg Warren talks about insurance isn't necessarily the kind of business, that inherently has a moat, it's a commodity business. But they own a lot of really good high quality insurance names. But they do also invest in a lot of businesses that are intangible assets. One of the moat sources, patents, brands, regulatory licenses, they own things like J&J, Merck, Bristol-Myers. And they also -- Apple and Coke with their strong brand loyalty those are also examples of intangible assets. They you also have things like railroads, pipelines that benefit from efficient scale. So there might be only one provider in a certain area that is providing this service. So the niche market is effectively served by one or a few companies. There is also a network effect.

American Express has that closed loop network of merchants and cardholders, lots of people using the service. It becomes more valuable to more people as more people use it. Switching costs like when it would become more expensive to stop using a product or it's a big pain, a hassle. Some of the big banks that Berkshire has -- has that and they also have cost advantages, which means that they can undercut their competitors and they can still earn a profit. So Berkshire has a collection of these businesses and it's a diversified business. So it kind of really helps it going in a lot of different markets. It's a unique sort of company in that way, kind of built up that way as a stock picker's conglomerate.

Andy Serwer {BIO 15136542 <GO>}

All right. Great stuff there. Karen Wallace, Morningstar Director of Investor Education. Thank you very much. Coming up, how to live richer, wiser and happier. Who doesn't want to do that? We'll talk to author William Green, about what he learned from the life and legacy of Charlie Munger. Back in two minutes. [Video Presentation]

Akiko Fujita {BIO 21777315 <GO>}

Welcome back to Yahoo! Finance. We are now just 45 minutes away from the start of the Berkshire Hathaway Annual Shareholders Meeting in Los Angeles this year. And joining us now is William Green, author of a new book, Richer, Wiser and Happier, how the world's greatest investors win in markets and life. William it's great to talk to you. One of those investors of course that you did speak to for this book, Charlie Munger. And I wonder if we start by talking about the big takeaway for you. What you took away from your conversation with him in terms of the keys to building wealth?

William Green {BIO 1760113 <GO>}

For me one of the most fascinating things about Charlie Munger is that here you have one of the brightest guys alive, a guy who Warren says has the greatest 32nd mind of anyone alive. You can see the essence of what any subject is about before you've even finished the sentence. And yet what Charlie does that I think is extraordinarily helpful for any of us, both in investing and in life, is he focuses on reducing what he calls standard stupidities. And so he says if you really want to succeed both as an investor and in life, you want to focus on being non-idiotic and as he puts it, living a long time. And so what he does is, he actually systematically collects examples of absurd, dumb, foolish things that people do. And then he asks himself, well what caused those things? What caused this disaster? And then he says, let me focus on not doing that.

And so if you think about this as a takeaway for any investor, think about the ways in which most of us mess up as investors. We're impatient, we try to time the market, we speculate on things that we don't really understand. We trade in and out. We're much too emotional, we get caught up in fads and here you have Charlie and Warren basically just avoiding all of those standard stupidities. And it's as Charlie says, it's actually easier to avoid being stupid than to be smart. And so I thought that was a wonderful paradox that you have the smartest guy alive just trying to be systematically less stupid.

Andy Serwer {BIO 15136542 <GO>}

William, I want to follow up on that point. When Charlie and Warren talk it sounds so easy and you listen to it and you go, yep, I'm going to do that, I'm going to do that, I'm going to do that. And then you try to do it and you can't do it, why is there this gap?

William Green {BIO 1760113 <GO>}

Yeah, Charlie always says about investing it's simple, not easy. And I think one of the things you have to understand, you have to start by saying, well, there are these inviolable principles that I need to understand about how investing works. Like for example, you want to be patient. You want to buy assets when they're worth considerably more than the market thinks they're worth. So there is a margin of safety there and then wait. But think about the difficulty of actually buying things that are unpopular, that everyone else thinks they're undervalued -- everyone else thinks they're actually cheap because they deserve to be cheap. So I think there's a tremendous psychological pressure.

And when I look at Charlie and Warren, I think one of their greatest advantages is actually that they're just entirely unemotional. And so they're not really sucked up by the emotions of the crowd. And when I went to interview Charlie, I said to him during the market crash in 2009 when you were buying things like Wells Fargo, the bottom tick of the crash in March, 2009, did you feel these emotions like fear, anxiety, worry? And he said, no, I just didn't feel them at all. And I said, does Warren feel it?, and he said, no, (Technical Difficulty) can step back and just be hyper rational. And so if you look at a period like this, where everyone is saying, I can't believe they have $145 billion in cash, and they're not doing anything, why don't they do something? They're just so blindly indifferent to those cries from the crowd. And Warren just says, we're not paid for activity, we're paid for being right.

Akiko Fujita {BIO 21777315 <GO>}

And yet to Andy's point easier said than done. To break away from all the noise that's out there. The guiding principles when you think about Warren Buffett and Charlie Munger, extreme patience and selectiveness which you just kind of alluded to, how do investors who are watching at home apply that though to their portfolio?

William Green {BIO 1760113 <GO>}

Charlie has this beautiful image that I take very seriously, which he says you should be like a spear fishermen. So you should be standing by the side of the stream most of the time doing absolutely nothing. And then he says, once in a while a fat juicy salmon swims by and you spear it and then you just go back to doing nothing. And he said, that it may be that for the next six months nothing comes along. And so I think one of the great takeaways for regular investors is that the market doesn't always offer you tremendous opportunity. And so if risk is being priced in a way that's not particularly attractive, which is probably generally speaking the case at the moment. You want to trade with extreme caution. And then at these moments where suddenly the bipolar market goes the other direction is going nuts and is presenting you with lots of fat juicy salmons that's when you want to really strike with what Charlie calls gumption. And so in a way what you're trying to do is set yourself up counter culturally.

So while everyone else is hyperactive and they're saying, I must do something because look, Bitcoin's surging and Tesla is surging I must act. Here with Charlie and Warren just acting calmly like spear fishermen just waiting by the stream, happy to do absolutely nothing, just fish and twiddle their thumbs. And they've actually set their lines up in a way that I describe as heroically and inactive. They're playing bridge, they're reading for hours a day, they're fishing, they're golfing, they're chatting with friends and just reading tons of annual reports and tons of biographies. And so I think you want to actually try to structure your life in a way that enables you to be much more patience, so that you're not getting sucked into the hyperactivity of the market.

Andy Serwer {BIO 15136542 <GO>}

I like that image that you just put out there William, about two fishermen spear fishing on the side of the river. But you talk about the two of them together, how important is that partnership do you think? And Julia La Roche was talking about them being reunited this year. But how important is that to achieve investing results to have someone to bounce something off of like that?

William Green {BIO 1760113 <GO>}

I think it's been hugely important for them and Charlie talks about hanging out with the eminent death as one of the ways that you learn. And one of the eminent death that he hangs out with is Darwin. And he says that what he learned from Darwin is that, Darwin was always seeking disconfirming evidence. He wasn't trying to support his religious views with his investigations and evolution. He was actually trying to destroy his own most cherished beliefs in a sense. And I think part of what this relationship between Charlie and Warren enables them to do is to test each other's beliefs. And so Warren famously has described Charlie as the abominable nomad. And I think to have this mechanism, this structure where somebody is challenging your beliefs and is smart enough to be able to challenge you, I think that's hugely powerful. But I think for most of us we're not going to have that opportunity. But we can still be constantly and consciously searching for disconfirming evidence. And it may be something as simple as if you're politically liberal, you read the Wall Street journal op-ed page. And if you're politically conservative you read the New York times op-ed page.

And this is something that Charlie very conscious does. And I think it's interesting that you have Warren as a Democrat, Charlie as a Republican, and they've had this kind of wonderful relationship where they're actually seeking out views that are different from their own. And then at the same time, I think, treating each other with tremendous decency and kindness. And I think that's something that we're all excited about for today. It's in a sense, the reunion of this odd couple and on the occasions that I've been to Omaha for the Berkshire meeting, one of the most joyous and memorable things is just that it's almost like a comedy act, you're watching this. It's -- if you're watching Walter Matthau and Jack Lemmon wise-cracking together. And I think there is something really wonderful about that partnership between them, and then the fact that they also treat their shareholders as partners. So there is an-old fashioned sense of honor and decency and transparency and humor that I think is one of the reasons why we've all been coming back year-after-year and why we're all happy to see Charlie back this year, after being absent last year.

Andy Serwer {BIO 15136542 <GO>}

William Green, author of Richer, Wiser, and Happier, thanks so much for coming on. I should mention that Warren Buffett has just come into the room. They're doing some tests, here. We're just about a half an hour away from the beginning of the annual meeting. In the meantime, I want to talk about chocolate. It is the ultimate comfort food. During the pandemic, sales of chocolate were way, way up. Overall candy sales hit a record $44 billion last year. That's great for See's Candies and for Berkshire shareholders. The CEO of See's, Pat Egan, joins us next here.

Julia La Roche

Well, I'm pleased to bring to you all this conversation with one of our very favorite (inaudible) at the Berkshire Hathaway annual meeting. That is See's Candy and its CEO, Pat Egan. See's is celebrating its 100th anniversary this year. Pat, so great to have you join us. Of course, we wish we could be in person, but great nonetheless.

Pat Egan {BIO 20854609 <GO>}

Wish I could be there too, Julia, and thanks for the opportunity. We're looking forward to hopefully next year coming back, but as I said, Omaha's always a big deal for us, so we're going to miss it, but hopefully we're back there next year.

Julia La Roche

Yeah, I certainly hope we're back next year. And of course, we're so used to seeing tons of candy at that booth in Omaha. And I think a lot of folks are interested, Pat, like how has business been for you all in the last year?

Pat Egan {BIO 20854609 <GO>}

Well, I like to say the last year has been the longest decade of my life. We've been through a lot. Last year, it's a tale of a couple of different quarters. So, the first quarter was tremendous. We started-off really hot at the beginning of 2020 and we ended pretty good. The second and third quarters, we -- essentially, in the middle of March when this first really hit, we shut down all of our stores in the span of five days. So, about 245 stores, we closed in a matter of days. And then about a week and a half later, we closed our e-commerce fulfillment center down in Southern California.

So, for a period of time there, we essentially completely stopped, and the reason for it was we operate in and they're headquartered in the bay area, and that was one of the first orders that was issued nationally. And so, we respected and stopped, and then we went through all of the states that were successively that week, actually, shutting down. So from that point forward, what we did was we just said, we're not going to reopen stores or reopen our plants until we can create a safe operating environment for all of our employees. That took awhile, and by the time we restored at the end of the summer, we saw customers coming back in. But for that period of time, it was pretty rough.

Julia La Roche

So how about right now? How are things for you all? How're your store reopenings? I suppose you're probably doing a lot of business online. I know around Valentine's day, I was looking on your website to order some candies for some of the special folks in my life, so how are things now?

Pat Egan {BIO 20854609 <GO>}

Well, thank you for your business, Julie. It's great. We actually -- we're fully back, I believe. We've had our best January ever, our best February ever. We just completed our best first quarter ever. And so you mentioned e-commerce, here we had a great growth last year. We grew about 70% just in looking at total packages shipped, and what you might expect would be that when the stores reopened that would trail-off a little bit. It hasn't. Our first quarter, we were up a hundred and almost 60% over the first quarter of last year. So what we've seen is the traffic coming back in the stores and it's been gradual, but we're almost back to 100%. But our e-commerce, which has more than doubled, has actually stayed at that level. And we're just fine with it not coming back to earth. It creates some different operational challenges, but we've definitely expanded our customer base.

Julia La Roche

One of the things that's really interesting about See's, it's a 100-year old company, and one of the things I know that you've talked about in the past is, the customer service in the stores. And Pat, you come from an energy background and the last time we talked to you was at the annual meeting in 2019. You were just a few days on the job. Now, a couple of years on the job. So coming into retail, what has been some of the biggest, I guess, takeaways for you, some of your biggest learnings in your role?

Pat Egan {BIO 20854609 <GO>}

Well, yeah, a couple of things, as you mentioned, our focus on customer service. I feel so fortunate, I pinch myself all the time that I'm part of this business. Our products are tremendous and our customer service is amazing. We really want to make sure that when customers come into our store, that they leave with a smile and that they're happier than when they started. I like to say we sell joy. So, my background in energy is a little different, no doubt about it, but I learned so many good lessons there that I think, I hope, have served us well here. And that is that, it's not easy to make an energy customer happy all the time. When you're interacting with them, it's usually about a bill or you've had an outage.

And of course, we try to make both of those things as minimal as possible, but I really work very hard with a great team there to focus on, what does the customer need? And I will say, that is the Berkshire way, and that's part of what I'm proud about. And I can see that the transition from energy in the candy, the common thread, is that we take care of our customers. And See's has done it for a century now, and done it tremendously well.

Julia La Roche

You know, it is interesting, just Warren Buffett's management style, the very hands-off management style, for the various portfolio companies. But I imagine when we think about Buffett, and he often talks about wanting to be remembered as a teacher, what's been the most important lesson you've learned from Warren?

Pat Egan {BIO 20854609 <GO>}

Integrity. I regularly review his quotes. You're right, he's hands-off, but he's very efficient and very effective in conveying the message, which is, do the right thing, take care of the customer, and take care of your employees, and the results will follow. And I had the great fortune of working with a Greg Abel in the energy business, and he is very much a devotee of that. And so, just living up to that, and making sure that we follow through on those principles is first and foremost. And as a teacher, he leads by example all the time. He's very focused on getting the right outcomes, certainly for our customers. I think he is a great citizen of the country and the world and a great leader in that regard, but boiling it down to the simple, what are the results and how are you getting there without getting too cute about things and making sure you're focused on the right things.

Julia La Roche

Well, Pat Egan, CEO of See's Candies, I thank you so much for joining us ahead of the shareholders meeting, and hopefully see you in Omaha in 2022. Thank you again.

Pat Egan {BIO 20854609 <GO>}

I look forward to it. I look forward to it, Julie. Thank you very much.

Julia La Roche

And we hear that in addition to that iconic peanut brittle, Warren and Charlie will have See's Candies newest product, chocolate covered coffee beans. Well, up next, Berkshire Hathaway Director Ron Olson joins Andy Serwer with his preview of the big annual meeting. Stay with us.

Andy Serwer {BIO 15136542 <GO>}

Hello. Welcome back to the Berkshire Hathaway Annual Shareholders Meeting 2021. I'm Andy Serwer, and I'm here with Ron Olson, who is a Berkshire Hathaway Director and also partner with Munger, Tolles & Olson. Ron, great to see you.

Ronald L. Olson {BIO 521861 <GO>}

Andy, great to see you and great to see you in Los Angeles.

Andy Serwer {BIO 15136542 <GO>}

Thank you, Ron. My recollection is, we usually encounter each other on an airplane headed to Omaha at this time of year. That's right. Things are very different. So, let's jump off of that point, Ron. What are you looking for this year that's different from prior years? We have the different geography, for sure.

Ronald L. Olson {BIO 521861 <GO>}

Well, let me tell you what I'm looking for that is the same, and that's the Charlie and Warren show. To me, it's irreplaceable, and it is the delight and most meaningful part of the meeting. In addition, it's nice to have an excuse to be in Omaha. I mean, be in Los Angeles. I also look forward to returning to Omaha next year, and having all the managers around and all the fun that we do -- these virtual things are a good substitute, but not as much fun.

Andy Serwer {BIO 15136542 <GO>}

Right. So this year is a bit of a hybrid. No shareholders, but we do have the (Multiple Speakers)

Ronald L. Olson {BIO 521861 <GO>}

Well, a few of us are shareholders.

Andy Serwer {BIO 15136542 <GO>}

Yeah, that's true. The directors are shareholders. But basically, this room right here is going to have the directors in it, and you can see the stage, as it were, is up there where Warren and Charlie, and I can see Greg Abel's already up there.

Ronald L. Olson {BIO 521861 <GO>}

Greg is there, and Ajit will be there, and Warren and Charlie, and they've got a bank of cameras in front of them and there is a place where Becky Quick's going to be sitting off screen, probably. But it's, I think, worked out very, very well.

Andy Serwer {BIO 15136542 <GO>}

Right. And the company just announced results this morning, Ron. What do you make of those? And how's the business going?

Ronald L. Olson {BIO 521861 <GO>}

Well, up. The big companies that Warren features in his letter each year, energy company and insurance businesses and so on. They're doing sensational, just sensational. And we have every reason to believe that that climb is going to continue. Now, by and large, insurance throughout the pandemic period has done very, very well. And so did the energy business and BNSF, they held up very well. Some of the retail businesses -- they were very seriously hurt during the pandemic. And those that had a lot invested in the mall access, I think, particularly so. And so, those are climbing, but they're not out of the hole. It's going to be a long haul, I think, for some of the businesses. But by and large, we're -- I'm very, very pleased with what we're doing.

Andy Serwer {BIO 15136542 <GO>}

What is it like being a Director of Berkshire Hathaway? How often do you talk? How often does Warren Buffett talk to you guys? And what is the communication like? What's it like behind the scenes?

Ronald L. Olson {BIO 521861 <GO>}

Well, we have basically two big in-person meetings a year, and then a number of other director meetings during the course of the year, often depending upon particular circumstances, in acquisition or something like that. In addition to that, I think you know, Warren's a communicator and Charlie's a communicator. And of course, with Charlie, he's in Los Angeles, and he and I talk often. Warren and I tend to talk on Sundays, and he does that with other directors throughout the year. He's on the phone with the managers all the time, so there is a lot of communication in this company. Communication up, communication down, a lot of transparency.

Andy Serwer {BIO 15136542 <GO>}

Sundays, huh? It sounds like you're working seven days a week here.

Ronald L. Olson {BIO 521861 <GO>}

Yeah. Anytime you're talking to Warren, you're having fun.

Andy Serwer {BIO 15136542 <GO>}

Right. We talked about Ajit Jain and Greg Abel up there on the stage and I have to ask you about succession. People always ask that, but is there anything that we need to know in that department?

Ronald L. Olson {BIO 521861 <GO>}

Well, you haven't missed that succession question. And as I remember it, about the last four years with me, people talk about succession planning. And I think you could look at the fact that we have two new Vice Chairman, and in the last few years, with expanded responsibilities, Ajit throughout the insurance businesses and Greg throughout the non-insurance businesses. You could look on that as succession planning. You could look on our two great investors that have been brought in, Ted and Todd, as succession planning. Me, I like to describe it as management extension. There is no question that the activities of Greg and Ajit, the two T's, have given new, in my opinion, new opportunities for Warren and Charlie to continue doing what they do so well. And Greg does a lot more traveling than Warren does these days, to the respective businesses. Now, if you ask Warren any question about any of the businesses, he's got it on the tip of his tongue. Reading all the time. But in terms of showing up for the celebration of the 10th anniversary of the CEO or something, Greg is more often going to be there. Although, I know Warren -- we lost a great one, one of our managers, Paul Andrews for TTI [ph], just in the last few weeks. And I know, Warren was at that funeral with Greg. But it's -- in my mind, why would we want to throw away the lifetime of experience these two guys have had and bring to bear on every important judgment this company makes? So there is no replacement timetable. Every meeting, we directors talk about succession. If something happened tomorrow, we know exactly what we're going to do, but that's about as far as I go with this question.

And I would say this. Look at how, in addition to the two vice chairs, the way this Company operates. It's created management that have had the experience of being their own business bosses, and so it's a great way to grow talent, in my opinion, as well as to grow the Company.

Andy Serwer {BIO 15136542 <GO>}

Quick last question, Ron. Anything that we should know about the shareholder proposals that are being put forth today?

Ronald L. Olson {BIO 521861 <GO>}

I don't think anything that isn't in our proxy. I'm confident that our shareholders are going to back our recommendations, but -- all of that is being presented. You take climate change. We take that seriously, and you look at what the utilities are doing, you look at what BNSF are doing. We've got lots of examples out there of us becoming more efficient, adding, I think, to the strength of our companies. I think they will be defeated, but that's for us to find out later today.

Andy Serwer {BIO 15136542 <GO>}

Ron Olson, Berkshire Hathaway Director. Thank you so much for your time.

Ronald L. Olson {BIO 521861 <GO>}

Thank you, Andy.

Myles Udland {BIO 20165611 <GO>}

[Video Presentation] Hi. Welcome back to Yahoo! Finance's exclusive coverage of the Berkshire Hathaway annual meeting. We're about 10 minutes out from when we expect Warren Buffett and Charlie Munger to begin taking questions over about the next four or five hours or so. In the interim, in our buildup to the coverage, we're talking to folks about what they expect, what they would like to hear, what they've learned from Buffett and Munger through the years. Joining us now to discuss is Bahiyah Shabazz, the founder at Brown Girls Do Invest. Bahiyah, thanks so much for jumping on this morning. I'd love to just start with asking you about what you've learned from these couple of guys talk. Now, the fifth year Yahoo! Finance has streamed the live coverage, and I think opened up the world of wisdom we've heard about for so many years to folks around the globe.

Bahiyah Shabazz

Absolutely. Thank you for having me. There is so much that I've learned from Warren Buffett, as well as Charlie Munger. From one, they've talked over the years to not invest with your emotion, and it's so easy for us to do that. There are thousands of stocks that are on the market. We can definitely fall into what is trendy, what are the buzzwords. However, when it comes to being a successful investor, we have to make sure that we are pulling ourselves away from the crowd and investing in what we know and what we have researched.

What I've learned from Warren over the years is to make sure that I do my research, and if I cannot understand a business, then I most definitely would not invest in it. And with that being said, looking at stocks that I believe are underpriced by the market and the ones that I feel as though the prices will eventually rise significantly over time.

Andy Serwer {BIO 15136542 <GO>}

Bahiyah, tell us a little bit about Brown Girls Do Invest. What is that organization?

Bahiyah Shabazz

Oh my goodness. Thank you for asking. Brown Girls Do Invest is a non-profit organization, and we teach African-American women how to invest in the stock market, how to invest in real estate, as well as acquire multiple strains of income. And we basically follow what Warren Buffett teach about, which is value investing. We make sure that when we are investing, it's for a long-term strategy as opposed to something short term. There are so many people who want to make sure that they're earning money as quickly as possible. However, we want to make sure that people understand their risk tolerance by asking a few questions, determine their age, as well as when they're going to retire. And to understand that, the one of the best strategies is to hold on, as well as address some of the inflation that is going on that is not going to be conducive into our buying power. And when you think about what Warren Buffett does with his strategy, as far as buy and hold, and look at, over the past 14 years, how stocks in the United States (Technical Difficulty) earn of 9.2%, you cannot go wrong. So with Brown Girls Do Invest, we make sure that we educate on how to invest in the stock market.

Myles Udland {BIO 20165611 <GO>}

And Bahiyah, something I know we're going to hear from Warren and Charlie about today is what's been happening with crypto, with the meme stocks, the ability for people to invest on things like (inaudible). We see it on our platform at Yahoo! Finance, it's really driven interest in stocks, and I'm sure you guys have seen that in your work as well.

I'm curious how you've gone about educating people, though that -- trying to get in and out on a days' basis, even a week or a months' basis, that will likely erode your gains over time. And how that conversation has maybe changed over the last year when, again, interest in stocks has gone up, the markets have gone up, but that's not always going to be the case.

Bahiyah Shabazz

Absolutely. It's most definitely -- if not. So how we address those conversation is, again, not to engage in the buzzword, not to do what you feel as though your neighbor is doing. And to make sure you are investing based off of what is conducive to your investment needs. And with that being said, all that we have, the cryptocurrency and we have other things to invest in over the years. To make sure we tell investors to do just as like what Buffett encouraged us to do, which is to research the company.

And if you are trying to engage in buzzwords or trendy things that are occurring, you do not have time to research. In addition to that, investing, researching in the company, you have to make sure that whatever you're investing in has a strong leadership team, as well as are they profitable? Look at their performance and their return on investment, and try to avoid overvalued stocks. Again, the thing with investing is to make sure that you are investing long-term, not trading. I mean, that's something that we talk about when it comes to cryptocurrency, as well as any other opportunities that are in the stock market.

Myles Udland {BIO 20165611 <GO>}

Alright. We're going to have to leave it there. Bahiyah Shabazz, founder of Brown Girls Do Invest. Thank you so much for joining us. Welcome.

Andy Serwer {BIO 15136542 <GO>}

Coming up, next Empire Research founder and CEO, Whitney Tilson, joins us for a discussion on the U.S. economic recovery and how Berkshire could stand to benefit. Coming up next.

Welcome back. Warren Buffett and Charlie Munger are set to take their seats any minute now as we await the start of the 2021 Berkshire Hathaway Annual Shareholders Meeting. Joining us now is Empire Financial Research Founder and CEO, Whitney Tilson. Whitney, thanks for joining us. What are you looking for at this particular meeting this year?

Whitney Tilson {BIO 5473807 <GO>}

Well, I don't think there is anything earth-shattering going on right now. The Berkshire's business is really firing on all cylinders. It's got an enormous tailwind from the tremendous economic recovery that's happening right now in the United States. And one of the things that's adding rocket fuel to Berkshire right now is, just in the last three quarters, a real ramp-up of share repurchases. The share count is down 5.5% year-over-year, so Berkshire's now joined the ranks of among the biggest blue-chip companies doing the biggest share buybacks and that's turning mid-single digit to high single digit embedded growth. With the big economic boom, you're seeing operating earnings growing about 20% in the first quarter, year-over-year. And then you throw in a 5% reduction in the share counts, and then earnings per share are going up and intrinsic value, therefore, is going up even faster.

Julia La Roche

Hey Whitney, it's Julia La Roche here. I'm glad you brought up share repurchases because that was exactly what I wanted to talk to you about because we did speak about that back when he put out the annual letter, as he mentioned, another $6.6 billion. Let's talk about your own view of the stock and the stock price, it sounds to me like you see further upside here. What are you expecting to be the catalyst going forward?

Ronald L. Olson {BIO 521861 <GO>}

Yeah, well, look, the stock hit an all-time high on Thursday, pulled back a little on Friday, but it's resting within 1% or 2% of its all-time high. But nevertheless, I just recalculated based on the Q1 numbers this morning, using just a very simple valuation methodology I've used for 20 years now, and it's proven to be very accurate. I think it's the methodology, Buffett and Munger use themselves, just take cash and investments per share, put an 11 multiple on the earnings of the -- pre-tax earnings of the operating businesses. And my latest calculation is that Berkshire's A shares, intrinsic values $473,000 per A share. That's $316 per B share. The stock closed on Friday at 412,000 per A share, meaning the stock today is trading at 13% discount to intrinsic value.

Now, given the stock is up almost 20% this year, intrinsic value is up about 10% this year, it's not as cheap as it was on January 1st. But I challenge you to show me any -- in a stock market at all-time highs today, challenge you to show me any big cap blue chip that is as safe, growing as nicely, that's trading at a 13% discount to its intrinsic value. So, I love the stock and I'm delighted that Buffett's continuing to buy it back, because when you're buying back below intrinsic value, that increases the intrinsic value for the remaining shareholders.

Julia La Roche

Whitney, even with that said, there is a lot of cash on the sidelines for Berkshire. We're talking about $145 billion right now. Aside from those buybacks, how do you think they should be putting that cash to work?

Whitney Tilson {BIO 5473807 <GO>}

Well, it's tough, because it's a tough environment out there. The typical way -- but they're really only two ways (Technical Difficulty)

Andy Serwer {BIO 15136542 <GO>}

Whitney, I'm sorry to interrupt you, but we're going to have to go over to Warren Buffett. The 2021 Berkshire Hathaway Annual Meeting has begun.

Warren E. Buffett {BIO 1387055 <GO>}

Virtual annual meeting of Berkshire Hathaway. We did it in Omaha last year on short notice. We had more warning this time, and so we came to Los Angeles and the reason we're doing it from here is because of the man on my left, not because he asked for it. But because all of us wanted to do it with Charlie and here in Los Angeles. So I'll introduce the three Vice Chairman of Berkshire in a minute. I'll show you the first quarter earnings. It won't take much time on that, I'll have one or two very short lessons for perhaps the new investors who were not necessarily in Berkshire Hathaway, but people who have entered the stock market in the last year. And there's -- I think there've been a record number that have entered the stock market. Oh, I'll have a couple of little examples for them. And then we'll swing into a Q&A led by Becky Quakers, looked at thousands of questions that have been submitted to her, but more can be submitted during this meeting. And we will put up a camera from time to time.

The way you can communicate directly with her if you want to send questions in during the meeting, she got flooded with them last time and she miraculously keeps sorting them out. And so feel free to send in a question. And we will have a question period for about 3.5 hours. And then we'll finally have the annual meeting, which won't take long at the end. And so with that, I would like to first introduce the three Vice Chairman of Berkshire Hathaway. I'll tell you just a little bit about them and then I'll have a mild surprise for you at the end, perhaps. On my left, Charlie Munger, and I met Charlie 62 years ago, he was practicing law in Los Angeles. He was building a house at that time, a few miles from here and 62 years later, he is still living in the same house. Now kind of interesting because I was buying a house just a few months before 62 years ago, and I'm still living in the same house. So you've got a couple of fairly peculiar guys, just to start with in terms of their love affair with their homes.

And Charlie and I hit it off immediately, and I would say he's probably the Vice Chairman in charge of culture among other things. But if I ever want to get questions about where true north is, I talk to Charlie, and he has been an enormous help. He's done it with a lot fewer hours and a lot less talking and everything than I have, but he's contributed in an incredible way to Berkshire. So Charlie has been out here in Los Angeles for 60 plus years. On my right, your left, I have the Vice Chairman in charge of everything except insurance and investments, Greg Abel. Greg was born and raised in Edmonton in Alberta. He's Canadian, plays hockey, his eight year old plays hockey. And he came to the United States sometime after he graduated from college in Canada. And he is in charge of a business, which has well over 150 billion in sales and employs more than 250,000, probably 275,000 people. And does a much better job at doing that, than was doing previously.

And on my far left your right, we have Ajit Jain. And Ajit was born and raised in India and graduated from college there. And I met Ajit on a Saturday in 1986, and I'd been in the insurance business. Berkshire had been in the insurance business for quite a while. And I was stumbling around in various ways, and Ajit came to the office in Saturday. I was opening the mail and I said, how much do you know about insurance? And he said, nothing. And I said, well, nobody's perfect. Let's talk about it some, and by the end of the morning, I knew, I had somebody that was going do build a great insurance business. And starting from that point, this improbable little company and Omaha, became the largest property casualty company in the world in terms of net worth. It rides risks occasionally in a 24-hour period that other companies simply couldn't take on themselves, they'd have to assemble other people who would take them a long time to come to a decision that was very important at various times in the past. It's not so important now. But he's built an incredible, the world's leading property casualty insurance company. So, here we have Charlie from LA, 60 something years. We've got Greg from Canada, we've got Ajit from India. And the one thing in common that these three fellows have aside from working for Berkshire and doing a sensational job. The one thing in common is that, at one time or another, for some extended period, they lived within a mile of me in Omaha, Nebraska.

And Charlie in 1934, moved about a hundred yards away from where I now live and went through high school. Eventually went into a service and knows the neighborhood as well as I do. Went to the same grade school my kids went to, and so on. Greg spent significant time living in Omaha, lived about five or six blocks from me and now lives in de Moines. And Ajit was in Omaha about a mile away for a couple of years. So we started in very different places and sort of came together. And now we go our separate ways, but it's all worked very well. And you'll hear from them during this meeting, I urge you to send questions if you're thinking, you can direct them to me or you can direct them to any one of the other three, and it will be a big relief to me if you direct a fair number to the other people.

So we, this morning as we always do, we always do it on a Saturday. We published our 10-Q, which gave the quarterly earnings. It's up on our website, berkshirehathaway.com. And it's very interesting, we put these out on a Saturday morning, that's not because the media likes us to do it that way. It's not because the analysts like to do it that way, but we want to give you the maximum time to digest an awful lot of information that's in that 10-Q. It can't be summarized in a perfect way. We'll give you some summary figures, but they're really a student of the place. And most of our investors buy because they simply have faith in these other three fellows to do a good job. And it's not a misplaced faith. But if you really enjoy going into the details and you want to understand the nuts and bolts of Berkshire Hathaway's various operations, you should read that 10-Q and it'll take you, it may take you a couple of hours. I mean, it's not a small investment of time, but it's got a lot of information about all our various businesses. And for those of you who are business students of a sort, I recommend you go to it. The summary figures you see here, which are the ones we put in our press release, show kind of an interesting pair of numbers I made down there at the bottom. We have last year, when you see those brackets around numbers, you got to know you've got to start worrying. And first quarter we actually showed a loss of almost $50 billion. I never thought I'd ever see a figure like that.

And was thinking back, I was trying to remember whether I had gone on vacation during that quarter and turned things over to the other guys or what. But I checked the calendar, that was me. And that figure this year is a positive figure of $11.7 billion and neither figure is very meaningful in itself. The Accounting Standards Board a few years ago for many, many, many, many years unrealized gains or losses of a company like Berkshire were made adjustments to the net worth of Berkshire, but they did not run through our earnings. And a few years ago, the rule was changed, so that every time the stocks go up or down, it goes to our earnings account. So, on the first quarter of last year, when stocks went down a lot, we had a huge sum of unrealized, well it was a reduction of unrealized gains, largely. And when you start saying things like that, you start losing people. But that item, the mild plus this year. But if we reported earnings daily, you would see earnings one day of $3 billion, next day of minus $2 billion. And it's an accounting treatment that we don't think is particularly appropriate, but it's required. And we've explained very carefully, both in our press releases, or we try to explain, and I tried to write on my letter and explain why I don't think that's the way to look at Berkshire. We think over time that we will have investment gains for reasons I lay out in my letter over a period of time. The companies we own stock and retain earnings and they use those reinvested earnings usually to our benefit. And that shows up in capital gains someday, but reported earnings for a company that has a lot of common stocks, marketable stocks like ours, you don't want to look at that final line and you do want to look at the operating earnings line.

Now, I would say that if you would take the first two months of last year and compare it to the first two months of this year, those figures would have been quite comparable. But of course, in March 2020, the economy was shut down. And the effect, I mean, it was a self-induced recession and an abrupt one, very abrupt. And so economy went off a cliff, in March it was resurrected in an extraordinarily effective way by federal reserve action. And later on the fiscal front by Congress, and we'll get into that later. But the figure you see that -- the difference was March, basically. And our businesses have done, we'll get into more specifics later, but our businesses have done really quite well. This has been a very, very, very unusual recession and that it's been localized as to industry as to an extraordinary extent.

And right now business is really very good in great many segments of the economy, which we'll talk about later. But there is still problems if you're in the few types of businesses that have really been decimated, such as international air travel or something of the sort. So with that, we'll go back to the figures later on, perhaps in some of the questions. I would like to just go over two items that I would like particularly new entrants to the stock market to ponder just a bit before they try and do 30 or 40 trades a day in order to profit from what looks like a very easy game.

So I would like to go to slide L1. So put that up. And these on March 31st, I ran-off a list of the 20 largest companies in the world by stock market value. And those names, good many of which will be familiar to you, they were led by Apple that's slightly over 2 trillion. And it went down to the number 20th was worth $330 billion odd, but those of the 20 largest companies in the world by market value on March 31st. Now, if I had a little, I was hoping I could get a little quiz machine, so I could have everybody weigh in on this answer, and we can flash it up a little later, but both technically impossible for, but what I would like you to do is look at that list. It starts off with apple. Saudi Aramco is a pretty specialized company. I don't know whether it's 95% owned by the government or what, but it's essentially a country that's for sale in terms of that business. But the top -- of the top six companies, five of them are Americans. So when you hear people say that America hasn't done, it's not working very well or something of the sort, in the whole world of the six top companies and value, five of them are in the United States.

And if you think about it, we talked a little about this last year, but in 1790, we had one half of 1% of the world's population. A little less, we had 4 million people, 3.9 million people. 600,000 of them were slaves [ph]. Ireland had more people than the United States had. Russia had five times as many people as the U.S. Then Ukraine had twice as many people as the United States. So here we were. What do we have? We had a map for the future, an aspirational map that somehow now only 200, after the constitution, 232 years later leaves us with five of the top six companies in the world. It's not an accident, and it's not because we were way smarter, way stronger, or anything of sort. We had good soil, decent climate. But, so some -- those are the countries I named. And the system has worked unbelievably well. Just imagine thinking of five of the top six companies in the world, ending up with a country that started with a half of 1% of a population just a few 100 years ago. But what I would like you to do is look at that list for a minute or two, if you want to, and then make an estimate, make your own guess, how many of those companies are going to be on the list 30 years from now. Here they are, these powerhouses. And how many would you guys (inaudible) on the list? Well, it's not going to be all 20. It may not even be all 20 today or tomorrow. This was March 31st, but what would you guess? Think about that yourself. Would you put on five? Eight? Well, whatever it would be, I would now invite you to look at Slide 2 or L2, which goes back a little more than 30 years. And look at the top 20 from 1989.

And if you look at the top 20 from 1989, there is two things that we should grab your interest, at least two. None of the 20 from 30 years ago, are on the present list. None. Zero. There were then six U.S. companies on the list and their names are familiar to you. We have General Electric, we've Exxon, we have IBM Corp. And these are, they're still around. Merck is down there at number-- none made it to the list 30 years later, it was zero. And I would guess that very few of you, when I asked you to play the quiz a little, a few minutes ago, would've put down zero. And I don't think it will be zero, but it is a reminder of what extraordinary things can happen.

Things that seem obvious to you, Japan had this wonderful bull market for a very long time. So we had a number of Japanese companies on the list. Today, there are none. And the United States had the six, now we have 13, but they aren't the same six. I would invite you to think about one other thing as you look at this list. 1989 was not the dark ages. I mean, we weren't just discovering capitalism or anything else. And people thought they knew a lot about the stock market and the efficient market theory was in. And they were all, it was not a backward time. And if you look the top company at that time had a market value of a $100 billion, $104 billion. So the largest company in the world of title in just a shade over 30 years has gone from a $100 billion to $2 trillion.

And at the bottom, the number 20 is gone from $34 billion to something little over 10 times that. Well, that tells you something about what's happened with equality, which is a hot subject in this country. And it tells you a little bit about inflation, but this was not a highly inflationary period as a whole. But it tells you that capitalism has worked incredibly well, especially for the capitalist. And it's a pretty astounding number, you'd think it could be repeated now that 30 years from now that you could take 2 trillion for Apple and multiply any company and come up with 30 times after the leader? Yeah, it seems impossible and maybe it is impossible, but we were just as sure of ourselves as investors and Wall Street was in 1989, as we are today, but the world can change in very, very dramatic ways.

And I'll just give you one other example you might ponder. This is (inaudible) starting feeling too sure of yourself. One thing it shows incidentally is that, it's a great argument for index funds is that the main thing to do is to be aboard the ship, a ship. They were all going to a better promised land, used to know which one was the one that necessarily get on. But you couldn't help but do well. If you just had a diversified group of equities, U.S. equities, that would be my preference, but to hold over a 30-year period. But if you thought you knew a lot about which ones to pick or the person that you had hiring, you were paying a lot of money to have all these ideas, and it could tell you their best ideas. And 1989 did not necessarily do that well. Overall, equities were absolutely the place to be. Secondly, people get enormously attracted to various industries. I mean, they think if you know -- for company says it's in the XYZ industry and that's a popular one, you can sell IPO's. You can sell SPACs, people disregard sales numbers, or earnings numbers, it's the place to be. So Berkshire Hathaway, where was the place to be in 1903? When my dad was born in 1903, but that wasn't really that big of news, but that wasn't big news that actually Henry Ford was starting the Ford Motor Company. It had failed a couple of times before, but he was about to change the world. I mean, the auto. And when you think about everything without a great auto insurance company, if there weren't any autos, we wouldn't have GEICO. But it transformed the country. And Henry Ford brought in the $5 daily wage. And that was a huge thing, assembly lines, everything autos came along.

So, let's just assume that you had seen a quick glance back in 1903 of all the interstate highways, 290 million vehicles on the road in the United States. Everything about it and say, well, this is pretty easy. It's going to be cars. It's going to be autos. Well, Berkshire, let's see what we've got up there. Yeah. No, stay where you were. Go back. I don't want to change slides yet, go back to the Ls. The Berkshire by accident, well, we own a company called Marmon. We bought it from the Pritzker family some years ago. The Pritzkers had built this business from many, many, many companies that they had acquired and the name of their company was Marmon. And I don't know exactly why Jay and Bob decided the name it Marmon, but they did own a company called Marmon. And the Marmon company, getting slightly ahead of me on the slides again, but that's okay. The -- we call it, they owned this company Marmon, which in 1911, had been the Company whose car won the first Indianapolis 500. Maybe that's why they called it Marmon. And that we're proud of the fact that the company in 1911 named one of the first Indianapolis 500. It also was the company that invented the rear view mirror. I'm not sure whether that was a big contribution to society. And certainly around your household rear view mirror, you don't want to emphasize too much. But they, the car that was entered in Indianapolis 500, the guy who normally sat next to the driver and looked backwards to tell what the competitors were doing. He was six, so they invented the rear view mirror. So let's just assume that you decided that orders [ph] were this incredible thing. And someday there'd be an Indianapolis 500 and someday they'd have rearview mirrors on cars. And someday 290 million cars would be buzzing around the United States are autos or trucks there.

And so I decided to look at the history and I thought I'd put up the list of auto companies from over the years. And I was originally going to put up just the ones that were the Ms, so I could get them on one slide. But when I went to the Ms, it went on and on and on. So I just decided to put up the ones that started with MA. And as you can see, there were almost 40 companies that went into the auto business, just starting with MA, including our little, our Marmon there in the middle column, and which lasted for a while, quite a while, but it was selling cars in the 1930s were really quite special. But in any event, there were at least 2,000 companies that entered the auto business because it clearly had this incredible future. And of course you remember that in 2009, there were three left, two of which went bankrupt. So there was a lot more to picking stocks than what figuring out, then what's going to be a wonderful industry in the future.

The Maytag company put out a car, Allstate put out a car. DuPont put out a car. I mean, Nebraska -- there was Nebraska Motor company. Everybody started car companies just like everybody's starting something now that can be where you can get money from people. But there were very, very, very few people that pick the winner and get the -- they got the opportunity for that. At Ford Motor, Henry Ford had a few partners and he didn't like him. So he figured a way to buy them out, that was sort of the -- was the beginning of the auto finance. That's a long story. We won't get into that, but you couldn't buy into the Ford Motor. And of course, General Motors became the dominant company. Finally, one Henry Ford did not really make the shift in the Model T to the Model A, where did not work very well. So, I just want to tell you, it's not as easy as it sounds.

And with that, we will go to Becky Quick, and she will ask any of the four of us questions she has selected and which we don't -- she doesn't share with us. And we will do this for a considerable period of time. You can be sending in questions to her. And then later on, after about 3.5 hours, we will have the annual meeting, which won't take long. So Becky, over to you.

Questions And Answers

A - Rebecca Quick {BIO 16400962 <GO>}

Thanks, Lauren, and hello to everybody. This first question that came in, came in from Andy Seas. He says he's the owner of not nearly enough B shares. He says, Mr. Buffett, you're well known for saying to be fearful when others are greedy and be greedy when others are fearful. But by all appearances, Berkshire was fearful when others were most fearful in the early months of COVID, dumping airline stocks at or near the low, not taking advantage of the fear of gripping the market to buy shares of public companies at exceptional discounts and being hesitant to buy back significant amounts of Berkshire stock at very attractive prices. I'd appreciate hearing your thoughts surrounding this time and how Berkshire approached its decision-making specifically after it was assured through the CARES Act, that the government would provide a robust backstop to the financial markets?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, of course, until both monetary and fiscal policy kicked in, well, we knew we had an incredible problem and I'm, just as Charlie is the Chief Culture Officer, I'm the Chief Risk Officer of Berkshire. That's my job. We hope we do well, but we want to make sure we don't do it terribly. But we didn't sell a substantial amount. I mean, we're a company with six, probably $700 billion worth of businesses. Some we own in their entirety and some we own a piece of, and I don't know whether we were sellers of maybe 1% of the value of all the businesses we had at that period. But the airlines, just kind of interesting with the airline businesses in particular, and then I'll get to what was done at fiscal monetary policy. But we had a few people at various subsidiaries of Berkshire that wanted to go in for help from the government and some cases they had, minority shareholders who owned a few percent and they said, well, we're going to get killed by what's happening with the regulations that are being put out and who's stopping the economy.

And they said, everybody's going in for them and why don't we go in? I said, Berkshire can handle it, this is for people that can't handle what's happening. And so we're not applying to the, but the airlines were the most prominent beneficiaries of what took place. Immediately, they got $25 billion initially, most of which went to the big four airlines and some of which went in as grants, not loans. And I think that was fine public policy. I think I was wishing it could go to every restaurant and dry cleaner and every small business that really was out of business and had no -- I mean they were made toast off basically. But the airlines, clearly what happened was not their fault in any way, shape or form. It wasn't like 2008 and 2009 when people blamed the banks and hated to see them helped. So it was -- now airlines operate in bankruptcy. So it isn't like that the three of the four big ones went through bankruptcy within the previous term. So the airlines were kind of used to operating in bankruptcy, they would have kept operating, but it was perfectly proper for the airlines to be helped.

The entire airline business, you look at these figures of $2 trillion for Apple and so the entire big four airlines, they sold for about a $100 billion almost. I mean, it's so very, very small and combined they wouldn't come close to making the cut. I mean, they wouldn't be in the top 50. So anyway, they went into the government, they needed the government help or they needed it, or they would go bankrupt some of them and really the Congress put statement notion two that they decided they deserve the help, which I do not quarrel with it all. But imagine, if Berkshire was the 10% holder which they had been, if everyone in the airlines had said, to get them Berkshire.

It's -- they like one of our -- they might have very well had a very, very, very different result if they had a very, very, very rich shareholder that owned 8% or 9%, and they didn't have that when they went in, so our -- you might not have gotten the same result. In fact, I would think you probably wouldn't. I mean, I can just see the headlines now. I mean, because you've seen the headlines on some companies that took $100 million or $200 million, and really didn't need it. And some of them gave it back, most of them gave it back, but here you're actually looking at probably at a different result than if we'd kept our stock. But in any event, an industry that was really selling for less than a $100 billion lost a significant amount of money. They lost perspective earning power.

I mean, right now, the international travel is not a come back, but I would say overall to them, the economic recovery has gone far better than you could say with any assurance. So we didn't like having as much money as we had in banks at that time. So I got back some of the bank investment, but basically our net sales were about 1% or 1.5%. And looking back now, a little bit better be buying, but I did not consider it. I do not consider it a great moment in Berkshire's history, but also, we've got more net worth than any company in the United States under accounting principles. And we've got $600 billion or $700 billion of generally good businesses.

And I think the airline business has done better because we've sold, and I wish them well, but I still wouldn't want to buy the airline business, international. People really want to want to travel for personal reasons and business travel is another thing. And we've got a big exposure to business travel, of course, through the fact that we own 19% of American Express, and we own Precision Castparts, which services the air business very well. So we've still got a big investment in air travel, a big commitment to it, but we wish the big four the best, and I think their managements have done a very good job during this period.

A - Rebecca Quick {BIO 16400962 <GO>}

More specifically, beyond the airlines though, just the idea of, and this came from several questions, too, including one from Chris Blaine, just you spent years accumulating cash, insisting you had your elephant gun ready. The March 2020 listed equity sell off came with promises from the US government that they would do what it takes, yet you sat on your hands. Please help me understand what I missed.

A - Warren E. Buffett {BIO 1387055 <GO>}

I didn't get quite the last part. What was the final question?

A - Rebecca Quick {BIO 16400962 <GO>}

Just please help me understand what I missed. Why didn't you use more of the cash at hand?

FINAL

Bloomberg Transcript

A - Warren E. Buffett {BIO 1387055 <GO>}

Oh, we have about -- our cash on hand has been about 15% of our values of our businesses. And that's a healthy chunk, and I'd say, it'll never get below $20 billion, but we're going to raise that number because it's just the size and importance of Berkshire is that, we could have just deployed $50 billion or $75 billion. And right before the fed acted, I mean, we hit a point where two calls came in, but it was two or three days of nothing could happen, when Jay Powell acted as he did that was incredibly important. I should say, the fed acted as they did, but they moved with speed and a decisiveness on March 23, that changed the situation where the economy had stopped. The government bond market was even disrupted. Berkshire Hathaway probably could not have gone out with a debt offering the day before that. It didn't get a lot of publicity time, but there was a run on money market funds, a very substantial run.

And if you look at the numbers daily, numbers on that, it was a repeat of September 2008. And this time I give great credit to what Bernanke and Paulson did, but this time, the fed knew that saying whatever it takes, and saying it and demonstrating it, which they did on March 23, they took a market where Berkshire couldn't sell bonds on the day before, and turned it into one where Carnival Cruise Liners managed to sell it to a day or two later.

And there was its record issuance of corporate debt, and companies losing money, companies that were closed, whatever, it was the most dramatic move that you can imagine. And at the time it was, I remember the chairman saying, how about a little help on the fiscal front and then Congress acted very, very big again, in 2008 and 2009, they argued about, we don't want to give any money to those dirty banks, all that sort of thing, but this time that there really wasn't anybody to blame. So they saw what was necessary, and Congress responded. So you have fiscal monetary policy that responded in a way that was incredible. And it did the job. I think it did a better job than either the fed or the treasury or anybody expected.

This economy right now, 85% of it is running in super high gear, and people can't -- and you're seeing some inflation and all of that, it's responded in an incredible way, and we learned something out of 2008 and 2009 and then we applied it. But that I don't think it was a sure thing that would happen. And the one thing about Berkshire is, we didn't ever want -- we don't want to depend on anybody. We're not a bank. We can't go to the federal reserve if we need money. And we've got to be sure that under any circumstances, any circumstances, we can't solve nuclear war and maybe we can't.

But Blanche DuBois, if you remember, in, A Streetcar Named Desire, said, I depend on the kindness of strangers. You can't depend on the kindness of your friends, if things really stop. I've seen that in several different places. And we were seeing it on March, the middle of March, everybody was drawing down the credit lines. The banks did not expect that. They just weren't sure they were going to be able to draw it on their credit lines 10 days later. And so they just drew them down, and they took the money out on money market funds. We got very prompt. I give great credit on both the monetary and fiscal side of what was done, but I didn't think it was a sure thing that would happen. I didn't know how it'd be implemented. It's worked. I think it's worked better than just about anybody has expected. And I think, well, you're seeing it now.

Charlie has got some views on this too, so we shouldn't leave him out of it.

A - Charles Munger {BIO 1406508 <GO>}

Well, it's crazy to think anybody's going to be smart enough to husband money and then just come out on the bottom tick in some crazy crisis and spend it all. Always there's some person that does that by accident, but that's too tough a standard. Anybody who expects that of Berkshire Hathaway is out of his mind.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah, Charlie. Charlie and I never were very good at dancing, but we really can't do that dance.

A - Charles Munger {BIO 1406508 <GO>}

No, no, we can't. And by the way, almost nobody else can either.

A - Warren E. Buffett {BIO 1387055 <GO>}

Not with tens of billions.

A - Charles Munger {BIO 1406508 <GO>}

No.

A - Warren E. Buffett {BIO 1387055 <GO>}

Or hundreds of billions. But it's worked out well. We forgot to show one of the financial sides, actually, if you go back to the balance sheet, but we did buy in the first -- you'll see the shares outstanding. If we go back to what was it? E3, the...

A - Rebecca Quick {BIO 16400962 <GO>}

E2.

A - Warren E. Buffett {BIO 1387055 <GO>}

Slide?

A - Rebecca Quick {BIO 16400962 <GO>}

E2.

A - Warren E. Buffett {BIO 1387055 <GO>}

Pardon me?

A - Rebecca Quick {BIO 16400962 <GO>}

I think it's E2. Is it?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, it's the balance sheet. Yeah. There it shows the shares outstanding at the bottom. And we have spent about $25 billion in the first quarter and more money since then. And it's the best thing. We can't buy companies as cheap as we can buy our own, and we can't buy stocks as cheap as we can buy our own. So -- and we've been able to do that with a fair amount of money, but looking back, I feel definitely we could have done better things. We would've sold airlines and cut back on banks regardless whether we should have bought something else at the same time's another question.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from a long-term shareholder who's been here for more than 25 years. His name's Ben Noel. He's from Minneapolis, Minnesota. And he says, Mr. Munger and Mr. Buffett, after a 15-year-period of market under performance, you're cautious about predicting Berkshire being able to outperform the market in the future. Given this, what do you see is the arguments for long time shareholders to continue holding their stock versus diversifying the risk across an index?

A - Warren E. Buffett {BIO 1387055 <GO>}

Charlie, you want to answer that?

A - Charles Munger {BIO 1406508 <GO>}

Sure. Well, I personally prefer holding Berkshire to holding the market. So I'm quite comfortable holding Berkshire. I think our businesses are better than the average in the market.

A - Rebecca Quick {BIO 16400962 <GO>}

Is it because you don't think the market values it fairly?

A - Charles Munger {BIO 1406508 <GO>}

Well, these are just accidents of history, and things are fluctuating at all times, but on a composite basis, I'd bet on Berkshire over the market. And that's assuming we're all dead.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah. I recommend it. I recommend the S&P 500 index fund and have for a long, long time, to people and I've never recommended Berkshire to anybody, because I don't want people to buy it, because they think I'm tipping them into something I'd never. No matter what it was selling for. And I've made it public. On my death, there's a fund for my then-widow, and 90% will go into an S&P 500 index fund, and 10% in treasury bills.

On the other hand, I'm very happy having my future contributions to a group of charities, that'll be spread over 12 years or so after my death to stay in Berkshire. I think the odds are Berkshire is, I like it, but I do not think the average person can pick stocks. We happen to have a large group of people that didn't pick stocks, but they picked Charlie, and made him manage money for them, 50 or 60 years ago. And so we have a very unusual group of shareholders, I think, who look at Berkshire as a lifetime savings vehicle, and one they don't have to think about and one that, if they don't look at it again for 10 or 20 years, that we'll have taken care of the money reasonably well. But I wouldn't argue that the S&P 500, over time. I like Berkshire, but I think that a person who doesn't know anything about stocks at all and doesn't have any special feelings about Berkshire, I think they ought to buy the S&P 500 index.

A - Rebecca Quick {BIO 16400962 <GO>}

As a follow-up to that, Gerald Silver writes in. He says, the trustees of your estate -- I believe you've directed the trustees of your estate to invest substantial assets into the index fund. Isn't that a vote of no confidence to your managers?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, no, because we're talking about way less than 1% of my estate. And one thing I'm going to do, incidentally, all rich people get advised by their lawyers set up trusts so that nobody could see your will and all that sort of thing. My will's going to be a public record, and you'll be able to check at some point that I've been telling you the truth about what is going to get done, but 99.7%, roughly, of my estate will either go to philanthropies or to the federal government. And before it does it, I think, Berkshire is a very good thing to hold, but for a given individual, particularly my wife, I just think that having a tiny fraction, which is all it takes for her to do very well for the rest of her life. I just think that the best thing to do is buy 90% in S&P 500 index fund.

Now the index fund people naturally have started, over time they market more and more products that are, that go to other indices and everything, so they're really starting to say to the American public, they're saying, well, you can pick what continent to invest in or you can pick what industry, and we'll sell you something for that. And when they just have gotten through telling them, you really don't know anything about stocks, just buy the whole index. So I named the 500 index as one, but it's a tiny portion, but it'll be her livelihood, and she'll have all the money she needs and way beyond it. And that's that. And, but I don't mind having the 99.7% large portion of it. So the law's the same as now, go to philanthropy, to be kept in Berkshire until they finally are disposed of.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Andrew Dickson in the UK. He says, my question is in relation to the oil and gas business and your purchase of Chevron stock. When being asked a question on tobacco stocks in 1997, you mentioned that individuals and companies occasionally have to draw moral lines about what they're willing to do. You stated at the time that you were not comfortable in making a big commitment in tobacco stocks and that you were uncomfortable about their prospects. Charlie has also referenced passing up on a private tobacco deal, that you both knew was a cinch, yet you both have no regrets in saying no to the transaction. I'm not suggesting that the oil and gas business has the same, no negative, externalities as cigarettes. They do not. With tobacco, the cause and effect relationship between the products and cancer is direct, obvious and measurable.

With hydrocarbons, the societal costs and benefits are far more complex to evaluate. However, an increasing portion of society is drawing their lines in such a way that their painting does not include hydrocarbons, period. My question is, has the alarmism from the climate community now become pervasive across society to the extent it has become irrational? Have we built our own unrealistic consensus on the pace of change achievable with regards to the transition to greener energy sources, to the extent that this is becoming an overly expensive tax worn by the current younger generation? Can we gather from your purchase of Chevron stock that you do not believe the howling from society, regulators and politician will impair the prospects of hydrocarbons, and Chevron, for that matter, in the next 10 years? Can investor still assume an oil and gas business that finds and produces oil at low cost per barrel can generate a sufficient return on capital for a long time to come?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, I'll give you a 10 word answer to that. I can't remember all the questions that were there, but I would say that people that are on the extremes of both sides are a little nuts. I would hate to have all hydrocarbons banned in three years or you wouldn't want a world that, it wouldn't work. And on the other hand, what's happening will be adapted to, over time, just as we've adapted them to all kinds of things. I do not think -- I'm interested in with quote from 1997, because now we've talked about this before.

We have no problem owning Costco or Walmart and a substantial number of their stores, they sell cigarettes, it's a big item. It's something that brings people in, they know the price of cigarettes and now they put them up front. So it's a very tough situation. We made that decision a long time ago, when we went to Memphis, and we looked at a business that was a very, very good business, and it was much less harmful at least from everything I could find out, it was much less harmful than smoking tobacco, chewing tobacco, was. And these were decent people and they were running a legal business and they all chewed tobacco themselves. So they went there, and they told me that their mother was a hundred, and chewing tobacco, and all these things.

But Charlie and I did go down in the lobby of that hotel, and we just said to ourselves, this is probably the best business we've ever seen. And I called my, then son-in-law, Allen Greenberg, and he'd studied chewing tobacco and its effects when he was working for a NATO-related organization, and we decided not to do it. But I used to see ads in our paper from financial companies where I knew they were terrible, it's a very tough thing to decide whether you get in or out of a business. It's a very tough time to decide what companies benefit society more than others? I think Chevron's benefited society in all kinds of ways and I think it continues to do so, and I think we're going to need a lot of hydrocarbons for a long time, and we'll be very glad we've got them, but I do think that the world's moving away from them, too, and that could change.

I don't like making the moral judgments on stocks in terms of actually running the businesses, but there's something about every business that you know that you wouldn't like. Meat packers, you ever gone through a meat packing plant? If you expect perfection and your spouse or your friends are in companies, you're not going to find it. And what you elect to do yourself, if you own an index fund of your own. Chevron's not an evil company in the least, and I have no compunction in the least about owning Chevron. And if we own the entire business, I would not feel uncomfortable about being in that business.

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I agree. You can imagine two things. A young man marries into your family, he's an English professor at, say, Swarthmore, or he works for Chevron. Which would you pick? Sight unseen? I want to admit, I'd take the guy from Chevron. Yeah.

A - Warren E. Buffett {BIO 1387055 <GO>}

I hope your daughters agree with you.

A - Rebecca Quick {BIO 16400962 <GO>}

On the other side of that argument, because there were lots of emails that came on both sides of these ESG questions. This one comes from Christina Gallegos, who has been a shareholder since 2018. And she says, on items two and three of the proxy materials, the board recommended voting against on the shareholder proposal regarding the reporting of climate-related risks and opportunities, as well as on the shareholder proposal regarding diversity and inclusion reporting. Berkshire is such a force for good when it comes to financial literacy and empowerment through wealth creation, why not be a force for good and an example when it comes to these two very important issues? Please share with us more about the against recommendation?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, I think maybe Greg can talk a little bit about what Berkshire has done as opposed to -- in terms of the environmental. I would say this, it's very interesting. With everything that's been, I think we have over a million shareholders, you can't be a 100% sure because of street name and duplicate accounts and all that sort of, but it certainly seems very, very likely.

And I get the letters that are written to me, I don't think I've had three letters in the last year or anything, from shareholders. And I have them and our vote on this, as you'll see later, is that overwhelmingly the people that bought Berkshire with their own money voted against those propositions. Most of the votes for it whereby came from people who've never put a dime of their own money into Berkshire. And so I don't think they've read our annual reports, and I don't think they read the reports of Berkshire Hathaway Energy. And I don't think they know, if I talk about what we're doing in high voltage transmission, we're doing more than any company in the country.

The president talked about what the government's going to do and how important that is. We have a record that overall is incredibly good, but we have a group of organizations just generally, and they're nice people, but they want us to answer a bunch of questionnaires their ways. So they want us to go to Dairy Queen and Borsheims, and all those people have them fill out reports that show a bunch of figures, when the reports that count are the reports that Greg gets on Berkshire Hathaway Energy and the railroad. And they talk about three of our companies and you've covered 95% of it. And it's asinine, frankly, in my view. Now we do some other asinine things, because we're required to do them.

So we'll do whatever's required, but to have the people at Business Wire, Dairy Queen, all these places, feel they've got reports to make it some common report that comes in. We don't do that stuff at Berkshire. We've got, during the pandemic, we probably have about 12 people who come into headquarters, and we've got 360,000 people working in a company that, all kinds of diverse activities, and it's built, I don't want to get into the whole thing, but it's built on autonomy.

And I am probably the only CEO of an S&P 500 company that does not get a consolidated income statement every month. Every other company, I'll bet, in the S&P 500, prints out the earnings they had at the end, from February and March and CEO gets and a whole bunch of other people get it. I don't get it. I don't need it. And I could put six years, 70 companies, to a whole lot of trouble and everything, and they'd hand me something and I know the answer to it already, and it doesn't make any difference. I mean they've got the money they need and so we don't do things just because we've got a department of this or a department of that. And we don't want to set up a lot of departments like that. And what's important is what we're doing in the, well, primarily at Berkshire Hathaway Energy and the railroad.

I'll let Greg tell you about that in just one second, but the...

A - Charles Munger {BIO 1406508 <GO>}

I don't think we think we know the answer to all these questions about global warming and so forth and the people who ask the questions think they know the answers. We're just more modest.

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, but even if we knew the answer, in terms of what reports, we would not collect a whole lot of things that don't mean anything to us to satisfy people who actually don't own any stock themselves, and in many cases, I can tell, they haven't read our annual report, even. We, as I pointed out in the annual report, and nobody would have guessed that, people think we're a bunch of guys that own stocks and all that sort of thing. Berkshire Hathaway owns, by gap accounting, more property, plant equipment, business infrastructure, which the president's just got through talking about Wednesday night, in infrastructure, the importance of it. We have, measured by gap accounting, more than any other company in United States. We have more than any of those companies that are on the list of the largest companies in the country, and we've got it by a substantial margin.

So we have an investment in what makes this country move and work. 15% of the interstate goods move on our railroad, and we're building transmission. And we started in 2006 or 2007, planning how we would close coal plants, but then you can't close coal plants until you get the electricity from where it's generated to the customer. And if you're going to generate it in Wyoming and it's going to go to Las Vegas or someplace, and previously they had a coal plant near the place because that was the way it was done 50 years ago or 75 years ago, you'd better have the transmission. There's no sense having the wind blow in Wyoming, and people can't turn on the lights in Las Vegas. So we went after the transmission plan question a lot earlier than they were talking about it, and we said $16 billion, or whatever it was, in the annual report that we, underway, and we just added $2 billion since the annual report came out. And there's no utility in the country that's coming and I work close to that.

Tell him a little bit about it.

A - Gregory E. Abel {BIO 1416724 <GO>}

Sure, Warren. Thank you. And really, as Warren touched on, BHE and BNSF have the significant carbon footprints when you think of Berkshire. And Warren, you touched on the disclosure that we've provided in the past going all the way back to 2007. I did pull those two investor presentations, one from 2007 and then our most recent one in 2021. So if we could pull up BHE one as a slide, I think it would just highlight, going all the way back to 2007, we've been doing investor presentations for what we call our fixed income investors, and we've done that through every year through 2021. We've provided very similar disclosures to our board on an annual basis and had discussions around Berkshire Hathaway's energies plans to decarbonize.

Now it's interesting, if you go back to the 2007 fixed income conference, and we were having a conference at that point in time, we have third-party debt, capital debt that our utilities raise. It's a traditional capital structure used across our regulated entities to manage our total cost to the customer. So we have investors, we present to them, as we're highlighting, on an annual basis. And if you go back to that 2007 investor conference, it's interesting. In that presentation, we're highlighting climate change, that it's a fundamental risk, and we discussed what good policy would be.

We discussed innovation, we discussed market transformation and the importance of setting targets at that point in time. And we had recommendations for our industry. Since then, each year we've presented really a plan and a strategy around how each of our businesses in BHE, but each of our regulated entities, how they're going to transform. And the whole transformation has been around decarbonization, managing that risk on behalf of our stakeholders in our many states, our customers that we serve, and ultimately managing that risk for Berkshire Hathaway's shareholders.

Now as you go through those presentations, there's a common theme, and Warren touched on it already. You have to build the foundation first, and that foundation is around building the high voltage transmission system. Warren touched on it in his annual report this year, in the letter he highlighted that at Berkshire Hathaway Energy, we'll be spending, just in the west, $18 billion on transmission. $5 billion of that's already been spent as we sit here today. And that $13 billion will be spent over the next 10 years. That's the foundation that then allows us to build incremental renewable resources and move it to our many states that we serve at Berkshire Hathaway energy, and well beyond that.

I would highlight, while we've been building the transmission infrastructure in place, we have been building renewables. If you look at our investment through the end of 2020, we've invested $30 billion or in excessive $30 billion into renewables, and have really completely changed the way our businesses do business, i.e. our utility businesses. They've been decarbonizing and delivering a valued product to our stakeholders, to our customers. And I think the results are really amazing when you look at them, and I'll give you a couple of reference points. If you go back to 2015, when the US was discussing -- excuse me, joining the Paris Agreement, very specific targets were set. Prior to those targets being set, Berkshire Hathaway Energy and 12 other companies, including the Apples of the world, Google, Walmart, committed to Paris, and that targets needed to be set. Berkshire Hathaway Energy was one of those companies in 2015.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah. How many other utilities were there?

A - Gregory E. Abel {BIO 1416724 <GO>}

Right, when there were no other energy companies that made any type of commitment at that point in time, I'm happy to report we made a variety of pledges. Well, one of them was, at that point, we'd invested $15 billion in renewables and that we would commit $30 billion in total. Well, we far exceeded that total now. So there's been a clear commitment to reduce decarbonizing our businesses. We have focused on very identifiable, quantifiable outcomes. And I think that's very important.

If you look at the standards that were set with the original US government's commitments associated with the Paris Agreement, the target was 26% to 28% reductions in carbon footprints, going back to 2005. So that's the reduction period, through 2025. And they wanted the 26% to 28% reduction level. We committed to that at BHE, and I'm happy to report, Warren, and, too, we've briefed our board, we achieved that in 2020. So we met our pledge, and we met the commitment under the Paris Agreement.

And then if you fast forward to the discussions that are occurring right now or have occurred around rejoining the Paris agreement, the current administration has proposed that, again, using 2005 as a starting point, that the emission goals for reduction should be 50% to 52% by 2030. Again, I'm happy to brief to our shareholders and briefings we've provided to our board, but Berkshire Hathaway Energy will achieve that by 2030. Our reductions will hit the Paris agreement target. Again, the reason we can do it is we've built the foundation through transmission, the substantial investment that Warren's highlighted, and then followed that up with very specific investments on the renewable side.

I've one incremental slide that I hope sort of pulls it all together, and that's BHE two, because as people discuss carbon, they often go to coal units. How many you own, how many have you closed? And there's no question that can be an important metric, but it is a transition. And we have very much focused across the three utilities we own and the ones we've highlighted on the slide, is to transition from our existing fleet to renewables using transmission. We have not become overly dependent on transitioning to gas, that's been a clear strategy. So over a period of time, our coal units will retire. I'm happy to report or pleased to report to our shareholders that through 2020, we've closed 16 units to date. If you look at from 2021 through 2030, there'll be an incremental 16 units closed, and then if you go through to the end of 2049, our remaining 14 units will be closed. And at that point in time, all our coal units are closed.

That slide is just an aggregation of all the activities, each of our business units have been taking to help facilitate that transition and really transitioning to decarbonizing those units. And I said, decarbonizing our businesses on behalf of, first and foremost, our customers, the many stakeholders they represent in the various states, and then, equally important, decarbonizing those businesses on behalf of our Berkshire Hathaway shareholders. The only other thing I would add, because it is the entity that has the second largest carbon footprint in Berkshire, and when you combine BNSF and BHE, you're talking the material set of emissions within Berkshire, BNSF has also been very active in managing their carbon profile. They've committed to have science-based targets established for 2030. So again, those targets will again be consistent with the Paris Agreement.

We've seen what the other participants or some of them in the industry that have committed to, and our commitment will be very similar, i.e., it will be consistent with the Paris Agreement, but it'll be a 30% reduction in BNSF's footprint by 2030. So again, if you look at our -- and that's been publicly disclosed. That's on the BNSF website. Everything I've discussed regarding BHE is on their website, filed in 8-Ks, completely accessible by our many shareholders. So when I look at it from the perspective of our Berkshire shareholders, I really believe this risk is being well-managed, and we are positioning ourselves for the long-term.

Thanks, Warren.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah, incidentally, I mean, the President the other night talked to about $100 billion for infrastructure. We'd love to spend $100 billion, but he was talking about -- transmission is really the problem, a big problem, because you've got to get from where the sun is shining and where the wind is blowing, essentially, to concentrations of population, and whether -- you cross state lines, and you'll go through people's backyards. Whether the federal government has a better luck in just saying, this is the way it's going to be done, and ramming it down the throats of where they go and getting it done, I mean, they may have that power and they'll be able to do it faster than we are.

On the other hand, we'd love to do it. We'll spend $100 billion, but the speed at which we can do it -- we bought Pacific Corp in 2006, and we had a bunch of customers out in the far West, and they had coal plants serving them. And to change that you've got to be able to go to where the wind blows and deliver it. But it is interesting. We have published this information. We spent far more than any utility in terms of renewables and transmission in the United States. And we started with nothing, a little operation, but the people who bought the stock with their own money, the individuals, they seem to understand it, and they read the reports. And we get calls, and they say, well, we want to come out and talk to you about it. Well, we're not talking to them and ignoring the million people that have been with us over time and bought it with their own money. We will not give special treatment either to analysts or to institutions over the individuals that basically trust us with our savings for their lifetime.

A - Rebecca Quick {BIO 16400962 <GO>}

This question is for Warren and Ajit, it comes from Fernando Lewis, a long time Berkshire shareholder from Panama, who says, as a shareholder that intends to remain so for many decades, my biggest concern is around possible losses, arising from higher than expected insurance losses. We've seen this in other great companies, where underwriting mistakes end up crippling businesses previously considered exemplary. While I understand that Berkshire's culture is unique and the insurance division is full of talented individuals, this is a risk that concerns me. Many of us shareholders feel comfortable, now, given the privilege of having Mr. Buffett, Mr. Munger and Mr. Jain looking at these deals. However, there will be a day when this is no longer the case. Is it reasonable to think that over the long-term Berkshire should focus on plain vanilla short tail insurance businesses like GEICO and reduce the size of some long tail risk? I want to clarify that I have the most respect and gratitude for all of Berkshire employees that have built the best insurance group in the world. I'm confident we have this talent to remain leaders in this field for decades to come. This has focused on the inherent opaqueness and risk of some insurance lines.

A - Warren E. Buffett {BIO 1387055 <GO>}

Ajit, do you want to lead off or...

A - Ajit Jain {BIO 3192279 <GO>}

I mean, clearly contract certainty is an issue for us in the insurance industry. It is an issue that cuts across not only the long tail lines that you mentioned, but even short tail property focused lines. The most recent example is business interruption, which is an integral part of any property insurance policy that is bought and sold by corporations. It is a risk every time we issue a contract that either because of sloppiness, in terms of how that contract is written or because of the regulatory environment we all have to live in, that the words in the contract may be tortured, too. And normally when they are tortured, they end up going against the insurance industry, not in their favor. So it is a risk, it's an unknown risk in terms of how bad it can be. I hope we price for it, when we price for the product, we throw in something for the unknown unknowns, if you will. And we try and aggregate our exposures by major risks categories. Hopefully, that'll give us some comfort in terms of having some boundaries on what the exposure really can be. But there's no question, the regulators play a very important role in terms of the economics of the business, especially in the US, where there are 50 state regulators who we have to deal with in terms of pricing, in terms of contracts, in terms of...

A - Warren E. Buffett {BIO 1387055 <GO>}

Most of the surprises in insurance, practically, all of them are unpleasant. I mean, you get the premium upfront that's pleasant, and then from there on you get some very imaginative losses that come through, and you get some that you've taken on. We are willing to lose, in terms of sort of the outside limit, we think, we're willing to lose $10 billion in a single event. And we want to get paid very appropriately for that, but we've got the resources to do it. But we don't want to lose $10 billion in something where we only thought we could lose $50 million or something like that. And the current situation, for example, with the Boy Scouts of America, I think there were 1,100 claims or something like that that had been filed, and now there 17,000 just in...

A - Ajit Jain {BIO 3192279 <GO>}

No, no, they're close to 100,000 now, up by 50 times.

A - Warren E. Buffett {BIO 1387055 <GO>}

And these go back to 1950 or 1960, and you've got people advertising for claims and so all of a sudden you get a lot of claims. I'm sure a lot of the claims are valid. I'm sure a lot of them are invalid, and how in the world did pick out the difference.

A - Ajit Jain {BIO 3192279 <GO>}

Well, yeah. And it goes back to the issue that you just raised. The reason why this number of claims has skyrocketed from less than 2,000 to close to 100,000 is because the statute of limitations had expired. But in several states, if not in most states, they have unilaterally extended the deadline by when you can make claims, and expanded it by a few years, as a result of which a lot more claims have appeared, funded by plaintiff lawyers who are now very well-funded, and that results in claims is just skyrocketing.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah. You get a lot of unpleasant surprises in insurance, but I'm very biased on this, but I think we've got the best insurance operation in the world. And Ajit is the guy that created it. And the people at GEICO, we bought that, and they did wonderful thing over time to contribute their part of it too, and other people have, but Ajit is the symphony conductor of it.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Henry Xu, and he says, it looks like Charlie and Warren have some different opinions, recently, like Costco and Wells Fargo, where's that taking Berkshire?

A - Warren E. Buffett {BIO 1387055 <GO>}

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, we're not all that different. And Costco is a company I very much admire, and I've enjoyed by long association with that company, but I love Berkshire too. And luckily there's no conflict, and Warren, I don't have to agree on every damn little thing we do. We've gotten along pretty well.

A - Warren E. Buffett {BIO 1387055 <GO>}

We have better than pretty -- we have never had an argument really.

A - Charles Munger {BIO 1406508 <GO>}

Yeah.

A - Warren E. Buffett {BIO 1387055 <GO>}

In 62 years, and it's not that we agree on everything. We've literally, in 62 years, we've never gotten mad at each other.

A - Charles Munger {BIO 1406508 <GO>}

No, no.

A - Warren E. Buffett {BIO 1387055 <GO>}

It just doesn't happen.

A - Rebecca Quick {BIO 16400962 <GO>}

This question is from Jason Plonner, and he says, Mr. Jain and Mr. Abel, this questions for you. One of the successful features of Berkshire is the strong bond between Mr. Buffett and Mr. Munger, who managed the company better, because they had each other. As you two are clear leaders of the next generation at Berkshire Hathaway, can you please tell us about how you interact with each other or some of the other incredibly competent Berkshire managers you seek for advice?

A - Warren E. Buffett {BIO 1387055 <GO>}

Who's that directed at?

A - Rebecca Quick {BIO 16400962 <GO>}

At Greg and Ajit.

A - Charles Munger {BIO 1406508 <GO>}

Ajit.

A - Warren E. Buffett {BIO 1387055 <GO>}

Okay.

A - Ajit Jain {BIO 3192279 <GO>}

Okay. Well, there's no question that the relationship Warren has with Charlie is unique and it's not going to be duplicated, certainly, not by me and Greg, no. I can't think of very many other pairs that can duplicate it. Nevertheless, both Greg and I, at least, certainly from my perspective, and I'm sure Greg will speak for himself. We've known each other for a very long time. I certainly have a lot of respect, both at a professional level and a personal level, in terms of what Greg's abilities are. We do not interact with each other as often as Warren and Charlie do, but every quarter, we will talk to each other about our respective businesses and update each other on our respective businesses.

And then during the course of the quarter, while we may not have any formal sort of meetings, if you will, but every time a question comes up, which is related to insurance, Greg will pick up the phone and call me. By the same token, if there's any question that comes up relating to any of the non-insurance operations that Greg is in charge of, like we had recently where a client of mine was looking for -- trying to find a buyer, and I picked up the phone and talked to Greg and we talked about how best to proceed. So there's that, that happens during the course of the quarter, every quarter we exchange notes, and we have a perfectly well-functioning relationship between the two of us. And I hope it remains that way,

Greg?

A - Gregory E. Abel {BIO 1416724 <GO>}

Yes. Well, Ajit, well said, and as he touched on Warren and Charlie have an exceptional relationship, but I'm very proud of their relationship Ajit and I've had. And as Ajit touched on, it's developed over many years, we've had the opportunity or I've had the opportunity to see how Ajit's run the insurance business. And as Warren highlight, and Charlie highlights, there's no one better at it, so I've had the opportunity to observe that. And then equally, over the years, that relationship has just built and become greater and greater. And as Ajit touched on, couldn't have more personal respect for Ajit, both personally and professionally.

And even though the interaction may be different than, say, how Warren and Charlie do it, as Ajit touched on, there is a regular dialogue, both around opportunities within our two businesses and units, both if we see something unusual that the other individual should hear, we make sure we're always following up with each other. But it goes beyond that, Ajit has a great understanding of the Berkshire culture. I strongly believe I do too. And anytime we see anything unusual in one of our businesses, it's Ajit who I'm going to call and say, are you comfortable that we're taking this approach? Is it going to be consistent with how you think about it? How you think about it in insurance? So it goes beyond just discussing the businesses, but maintaining the exceptional culture we have at Berkshire and building upon that. So very fortunate to have Ajit as a colleague and immensely enjoy working with them every day.

Thank you.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Glen Greenberg, he says, it's on the profitability of GEICO and BNSF. He said, why do these companies operate at meaningfully lower profit margins than their main competitors, Progressive and Union Pacific? Can we expect current managements to at least achieve parity?

A - Warren E. Buffett {BIO 1387055 <GO>}

Was it GEICO and...

A - Rebecca Quick {BIO 16400962 <GO>}

BNSF.

A - Warren E. Buffett {BIO 1387055 <GO>}

Oh, actually, if you look at the first quarter figures, you'll see that the Berkshire Hathaway Union Pacific comparisons has gotten quite better. Katie Farmer's doing an incredible job at BNSF, and it'd be an interesting question whether five years from now or 10 years from now, BNSF or Union Pacific has the higher earnings. We've had higher earnings in the past, Union Pacific passed us. The first quarter, you can look at, and they think they've got a slightly better franchise. We think we've got a slightly better franchise. We know we're larger than Union Pacific, we will do more business than they do. And we should make a little more money than they do, but we haven't in the last few years. But it's quite a railroad, I feel very good about that.

I should go back to the previous question. People talking about the aging management at the Berkshire, and I always assume they're talking about Charlie when they say that. But I would like to point out that in three more years, Charlie will be aging at one percent a year. And no one is less than Charlie. If you take some of these new companies with 20 five-year-olds, they're aging at four percent a year so. So we will have the slowest aging manage, percentage wise, by far that any corporate -- any American company has.

A - Rebecca Quick {BIO 16400962 <GO>}

Did you want to talk about GEICO versus Progressive, too, because I got a lot of questions on that?

A - Warren E. Buffett {BIO 1387055 <GO>}

Progressive has had the best operation in recent years in terms of matching rate to risk, and I mean, that's what insurance is all about among other things. But I mean, you have to have the right rate. If you think that 90-year-olds and 20-year-olds have an equal chance of dying, I mean, you're going to be out of business very quickly, the life insurance business. And you will get all the 90-year-old risks and the other guy will get the 20-year-old risks.

And the same thing applies in auto insurance. I mean, there's a huge difference between 16-year-old males, and how they drive, and 40-year-old, married, employed people. So companies that do the best job of actually having the appropriate rate for everyone of their policy holders is going to do very well, and Progressive has done a very good job on that. And we're doing a much better job on that already, but Todd Combs has gone there. And it's a very interesting business, both Progressive and GEICO were started in the '30s. I believe I'm right about Progressive on that, and we were started in '36.

We have had the better product for a long, long time, I mean, in terms of cost. And here we are 80, 85 years later, in our case, and we have about 13% or so of the market, whatever it may be, and Progressive as just a slight bit less. So the two of us have 25% of the market, roughly, in this huge market, after 80-something years of having a better product. So it's a very slow changing, competitive situation, but Progressive has done a very, very good job recently. We've done a very, very good job over the years, and we're doing a good job now, but we have made some very significant improvements.

And if you looked at, you don't want to look at the quarters too much, but our profitability in the first quarter was good, but we gave back more money under our give back arrangement, when the virus broke out, we gave $2.8 billion on our give back program that was larger than any company as well. It was the largest, I think, in the country. And GEICO and Progressive are both going to do very well in the future. And actually, Union Pacific and BNSF are going to do well in the future. It's just, in both cases, we want to do a little bit better than the other guy.

A - Ajit Jain {BIO 3192279 <GO>}

Can I just...

A - Rebecca Quick {BIO 16400962 <GO>}

Yeah.

A - Ajit Jain {BIO 3192279 <GO>}

Add a little bit? Yeah. There's no question, Progressive is a machine. They're very good at what they do, whether it's underwriting, which Warren talked about, in terms of matching rate to risk, whether it's handling claims. Having said that, I think GEICO is catching up with Progressive. More than a year ago, about a year ago, Progressive had margins that were almost twice as much as GEICOs and growth rates that were almost twice as much as GEICOs. If you look at the results, as of now, Progressive is still crushing it, in terms of growth, relative to GEICO, but GEICO has certainly caught up with Progressive in terms of margins, and, hopefully, that gap will be non-existent in the future.

The second point I want to make on the issue of matching rate to risk, GEICO had clearly missed the bus and were late in terms of appreciating the value of telematics. They have woken up to the fact that telematics plays a big role in matching rate to risk. They have a number of initiatives, and, hopefully, they will see the light of day before not too long and that'll allow them to catch up with their competitors in terms of the issue of matching rate to risk.

A - Warren E. Buffett {BIO 1387055 <GO>}

I will predict that five years from now, State Farm is still the largest auto insurer, but I will predict that five years from now, it's very likely that the top two will be GEICO and Progressive, and in which order we'll see, but both companies are going to do very well, in my opinion. And GEICO has done extremely well, but Progressive was better at setting the right rate, and we're catching up, I think, fairly fast.

A - Ajit Jain {BIO 3192279 <GO>}

Yeah. Excuse me, Progressive has certainly done better, but when it comes to branding, GEICO is, I think, miles, excuse me, ahead of Progressive. And in terms of managing expenses as well, I think GEICO does a much better job than anyone else in the industry.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Vittorio Bucci from Switzerland, who writes in, why in the recent past did Berkshire sell some of the common stocks owned on Apple? If the company is considered Berkshire's fourth jewel, why didn't Berkshire buy more of Apple stocks in 2020? This seems to be counterintuitive.

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, we have 5.3% or something like that now, it's going up in the first quarter because we bought in our shares, which helps our own shareholders expand their interest in Apple indirectly, without laying out a penny, and then Apple's repurchased its shares, and just announced another repurchase program. So let's say, we look at Apple as a business that we own 5.3%. Now we've got -- It's a marketable security, so it shows up as a way greater than any other marketable security we have. But of course, if you look at our railroad, as we mentioned, well, the Union Pacific is selling for about $150 billion in the market. We own one that's larger than the Union Pacific and making it a little less money, but not much less.

So it's an extraordinarily -- Apple, it's got a fantastic manager. Tim Cook was under appreciated for a while. He's one of the best managers in the world, and I've seen a lot of managers. And he's got a product that people absolutely love. And there's an installed base of people, and they get satisfaction rates of 99%. And I get the figures from the furniture market as to what's being sold, and if people come in and they want an Android phone, they want an Android phone. If they want an Apple phone, you can't sell them the other way. The brand and the product, it's an incredible product. It's a huge bargain to people. I mean, the part it plays in their lives is huge. I use it as a phone, but I'm probably the only guy in the country, maybe some descendant of Alexander Graham Bell is do it the same thing, but it is indispensable to people.

And it costs -- a car costs $35,000, and I'm sure with some people, if we asked them whether they had to give up their Apple or give up their car, and really make the choice for the next five years, who knows what they do? But it is -- and we got a chance to buy it, and I sold some stock last year, although our shareholders still had their percentage interest go up, because we repurchase shares. But that was probably a mistake. In fact, Charlie in his was usual, low key way, let me know that -- you thought it was a mistake too, didn't you Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Yes.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah. I could only do so many things that I can get away with it Charlie, and I kind of used them up between Costco and Apple. And he very likely it was right, in both circumstances.

It's an extraordinary business, but I do want to emphasize that in his own way, it's a different way, but Tim Cook is -- we see a lot of managers of a lot of businesses, and you're looking at two great ones on both ends here. He's handled that business so well, he couldn't do what Steve Jobs, obviously, could do in terms of creation, but Steve Jobs couldn't, really, I don't think do, but Tim Cook has done in many respects.

A - Charles Munger {BIO 1406508 <GO>}

Well, I also think it's clear that list you showed of the leading American companies, it's been very important for America that we've done so well in this new tech field. And I, personally, would not like to see our present giants brought down to some low level by some anti-competitive reasonings. I don't think they're doing a lot of harm anti-competitively. I think they're credit to the Americans, credit to our civilization.

A - Warren E. Buffett {BIO 1387055 <GO>}

And they're huge.

A - Charles Munger {BIO 1406508 <GO>}

And they're huge, and that's good for us.

A - Rebecca Quick {BIO 16400962 <GO>}

Well, let me ask a follow-up question on that then, this comes from Jack Sang, who says, what's your mindset, when you see so many of these high flyers, not the GME or meme stocks, but more like the big tech growth stocks gaining 50%, 100%, 200%, et cetera, in a matter of a year or less? I know you eventually bought Apple in 2016 because of the quality of their businesses and their management. How do you assess if these high flyers are worthy of your investment, given this crazy high valuations that muddy the waters?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, we don't think they're crazy. But we don't -- at least I -- Charlie -- I feel that I understand Apple and its future with consumers around the world, better than I understand some of the others, but I don't regard prices and that gets back -- well, it gets back to something fundamental in investments, I mean, interest rates, basically, are to the value of assets, what gravity is to matter, essentially. And on the way out here, I tore out a little clipping from the Wall Street Journal yesterday, I'm probably the only one that read it, it's so small and having trouble finding it. But anyway, on Thursday, the US treasury sold some eight-week -- some four-week notes treasury bills, and the price was in, if you looked at your Wall Street Journal down in a little corner next to last page in my paper, in the very bottom corner, here it is, the results of the treasury auction, a little tiny thing. They had applications on the four-week treasury bill for $100 and some billion. They accepted bids for $43 billion worth. And it says average price, okay, 100.000000, six zeros. And essentially, people were giving $40 some billion to the registry, and they offered to give $130 billion or something, whatever the amount tender, and the treasury received the money at zero.

And Janet Yelen has talked a couple of times about the reduced carrying cost of the debt. I think in the last fiscal quarter, US government, which owes a few billion -- a few trillion dollars, I should say, few trillion dollars more than a year ago, their interest expense was down 8%. So you've had this incredible reduction in the so-called super risk-free group, the short-term treasury bill, and that is the yardstick against which other values are measured. I mean, if I could reduce gravity, it's pulled by about 80%, I mean, I'd be in the Tokyo Olympics jumping and essentially, if interest rates were 10%, valuations are much higher. So you've had this incredible change in the valuation of everything that produces money because the risk-free rate produces really short enough right now, nothing.

It's very interesting. I brought this book along because for 25 or more years, Paul Samuelson's book was the definitive book on economics. It was taught in every school and Paul was -- he was the first Nobel prize winner. It's sort of a cousin to the Nobel prize, they started giving it in economics, I think, in the late '60s, he was the first winner from the United States, Paul Samuelson. Amazingly enough, the second winner was Ken Arrow, and both of them are the uncles of Larry Summers. Larry Summers had the first two winners as uncles. But Paul, he was a wonderful guy. He was wonderful writer, the definitive writer. And so I got out the '73 economics books.

And bear in mind, probably economics kind of started as kind of an interesting science and respectable, with Adam Smith we'll say. He wrote The Wealth of Nations in 1776, and he'd written some books earlier, but you sort of data from kind of when our countries started. And then you had all these famous economist, subsequently, and Paul became the most famous of his time. So I looked up in the back under interest rates. I looked for negative interest rates. There's nothing there. So I finally found zero interest rates, and Paul Samuelson, brilliant man, after a couple of hundred years, we've had of kind of studying economics, basically. He said that -- he said, you can conceivably -- technically he said, you can conceive perhaps of negative interest rates, but it can't ever really happen. And that was in the 1970s, this wasn't back in the dark ages.

And no economist wrote up and said, this is a terrible line to have in a book or anything. And here we are in this world, where we had zero interest rates last year, I mean, last week on or this week on a four-week note, and Berkshire Hathaway, which has more than this, but let's say we had $100 billion in treasury bills, we have more than that. Before the epidemic -- pandemic, we were getting about $1.5 billion from that a year. At present rates, if it's 2 basis points, we'd get $20 million. Imagine your wages going from $15 an hour to $0.20 an hour, so it's been a sea change. And it was designed to be that. I mean, that's why the fed moved the way they did. They wanted to give a massive push, just like Mario Draghi did in Europe, in, whenever it was, 2012, when he says, whatever it takes, and they want the negative rates. And the fed has said, it doesn't want to go the negative rates, and I think the treasury actually has got some small bar.

But if present rates were destined to be appropriate, if the 10 years should really be at the price it is, those companies that the fellow mentioned in this question, they're a bargain. I mean, they have the ability to deliver cash at a rate that's, if you discounted back, and you're discounting at present interest rates, stocks are very, very cheap. Now the question is what interest rates do over time? But there's a view of what interest rates will be based in the yield curve out to 30 years and so on. It's a fascinating time. We've never really seen what shoveling money in on the basis that we're doing it on a fiscal basis, while following a monetary policy of something close to zero interest rates, and it is enormously pleasant.

But in economics, there's one thing always to remember, you can never do one thing, you always have to say, and then what? And we are sending out huge sums, I mean, the President said it on Wednesday, 85% of the people, we're going to get a $1,400 check or -- 85%. And a couple of years ago, we were saying 40% of the people never could come up with $400 of cash. So we've got 85% of the people getting those sums, and so far, we've had no unpleasant consequences from it. I mean, people feel better. The people who got the money feel better, and the people are lending money don't feel very good, but it causes stocks to go up. It causes business to flourish. It causes an electorate to be happy, and we'll see if it causes anything else. And if it doesn't cause anything else, you can count on it, continuing in a very big way.

But there are consequences to everything in economics. That is why the Googles and the Apples, when we don't own -- we don't own Microsoft, but they are incredible companies in terms of what they earn on capital. They don't require a lot of capital, and they gush out more money. And if you're trying to find bonds that gush out more money from the federal government, we got a $100 billion that's gushing out like $30 million or $40 million a year or whatever it may be depending on the short term rates. So that puts the pressure on, which is exactly, of course, what the monetary authorities want done. I mean, they're pushing the economy in a -- and they're doing it in Europe even more extreme, and they're pushing, and we're aiding it with fiscal policy, and people feel good and people will become numb to numbers. Trillions don't mean anything to anybody, and $1,400 does mean something to them. So we'll see where it all leads, but Charlie and I consider it the most interesting movie by far we've ever seen in terms of economics, don't we Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Yes, and the professional economists, of course, have been very surprised by what's happened. It reminds me of what Churchill said about Clement Attlee. He said, he was a very modest man and had a great deal to be modest about, and that's exactly what's happened with the professional economists. They were so confident about everything and it turns out the world is more complicated than they thought.

A - Rebecca Quick {BIO 16400962 <GO>}

As a follow-up to that, Pat Kane is asking, what's your opinion about the economic theory MMT, especially the United States because it's the reserve currency for the world?

A - Charles Munger {BIO 1406508 <GO>}

Well, I think the modern monetary theorists are more confident than they ought to be, too. I don't think any of us know what's going to happen with this stuff. I do think there's a good chance that this extreme conduct is more feasible than everybody thought. But I do know if you keep just doing it without any limit, it will end in disaster.

A - Rebecca Quick {BIO 16400962 <GO>}

On a related question, Elle Kandel wrote in on this, too, and said, if you can borrow money at a guaranteed lower even zero interest rate, is it still worthy of borrowing money for not that guaranteed cost from the insurance operation?

A - Warren E. Buffett {BIO 1387055 <GO>}

It reduces the value of float by a substantial amount. And we have a flexibility with our float that virtually no one has, and I've written about this in the annual letter. But the value of float has gone down dramatically because everything is off of interest rates. And when you get to negative interest rates, if a country can borrow at negative interest rates, you get into something, that's kind of akin to the St. Petersburg Paradox and those of you who want to go to search you can find some interesting things on it, but it becomes infinite. And it's a crazy consequence of a bunch of abstract mathematics, where you get there. But you lose gravity entirely, and if you tell me that I'm going to have to lend money to the government at minus 2% a year, and I'm talking nominal figures, not -- you're just telling me how I'll go broke over time, if I do that. So it pushes you to do other things, and of course we've seen it. Well, we saw the rest of the world do it in even more extreme fashion, but nobody -- Paul Samuelson, brilliant man, nobody thought he could do this, and we don't really know what the consequences are, but we know there are consequences, obviously.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Sam Butler, who says he's been a shareholder for many years and asks, what impact does the rise of so many new SPACs have on Berkshire's ability to find and close new acquisitions?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, it's a killer. These SPACs generally have to spend their money in two years as I understand it. So they have to buy a business in two years. If you put a gun to my head and said, you got to buy a big business in two years, I'd buy one, but it wouldn't be much of one. It's we'd look and look, and now there are, I don't know how many, whether it's hundreds and there's always been the pressure from private equity funds. I mean, if you're running money for somebody else and you're getting paid a fee and you get the upside, and you don't have the downside, you're going to buy something. And I could tell you about a, I had a very famous, I had a call from a very famous figure many years ago that was involved in it, and wanted to learn about re-insurance. And I said, well, I don't really think it's a very good business. And he said, yeah, and he says, if I don't spend this money in six months, I've got to give it back to the investors.

So it's a different equation that you have, if you're working with other people's money, where you get the upside, and you have to give it back to him, if you don't do something. And frankly, we're not competitive with that. No, that won't go on forever, but it's where the money is now, and Wall Street goes where the money is and it does anything basically that works. And SPACs have been working for a while and you stick a famous name on it, you can sell almost anything. And it's an exaggerated version of what we've seen in kind of -- well, gambling done type market.

In fact, I did have a quote from Keynes that we might put up on the, let's see if I've got -- yeah, this is probably one of the most famous quotes in history because it really sums up the problem of the fact we've got the greatest markets the world could ever imagine. I mean, imagine being able to own parts of the biggest businesses in the world and putting billions of dollars in them and take it out two days later. I mean, compared to farms or apartment houses or office buildings, where it takes months to close a deal, the markets offer a chance to participate and invest in earning assets on a basis that's very, very low cost and instantaneous, huge, all kinds of good things, but it makes its real money if they can get the gamblers to come in because they provide more action and they're willing to pay silly or fees and all kinds of things.

So you have this incredible, a huge asset to humanity, but it really makes its money when people are doing stupid things. I mean, that's where the money really is. And Keynes wrote this in 1930 -- in 1936, it says 1939 in the slide, but he wrote in 1936 in the general theory, that "Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital of element of a country becomes a by-product of the activities of a casino, the job is likely to be ill done."

Well, the stock market, we've had a lot of people in the casino in the last year. You have millions and billions of people who've set up accounts where they day trade, where they're selling -- put some calls, where they, I would say that you had the greatest increase in the number of gamblers essentially. And there's nothing wrong with gambling. And then they got better odds than they've got if they play the state lottery, but they have cash in their pocket. They've had action. And they actually don't have a lot of good results. And if they just bought stocks, they do fine and held them.

But the gambling impulse is very strong in people worldwide, and occasionally it gets an enormous shove and conditions lead this place where more people are entering the casino than are leaving every day and that creates its own reality for a while. And nobody tells you when the clock is going to strike 12:00, and it all turns to pumpkins and mice. But when the competition is playing with other people's money or if they're playing foolishly with their own money, but the big stuff is done with other people's money, they're going to beat us. I mean that we're not -- that's a different game and they've got a lot of money, so we're not going to have much luck on acquisitions while this sort of a period continues. But it's happened before. This is about as extreme as we've seen it. Isn't it, Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Yes, of course, I call it fee driven buying. In other words, it's not buying because it's a good investment. They're buying it because the advisor gets a fee. And of course the more that you get, the sillier your civilization is getting, and to some extent, it's a moral failing too, because the easy money made by things like SPACs and returned derivatives and so on, and so on. You push that to excess, it causes horrible problems with the civilization and reflects no credit on the people who are doing it, and no credit on the regulators and voters that allow it. So I think we have a lot to be ashamed of current conditions.

A - Warren E. Buffett {BIO 1387055 <GO>}

But it's where the money is.

A - Charles Munger {BIO 1406508 <GO>}

Yeah, but we still -- it's shameful what's going on. It's not just stew, but it's shameful.

A - Warren E. Buffett {BIO 1387055 <GO>}

It's not, I don't regard it as shameful on a lot of the people that gamble. I mean, gambling is a very human instinct and they've got money in their pocket and they know somebody else has made money who they don't think is any smarter they are, and...

A - Charles Munger {BIO 1406508 <GO>}

No, no, I don't mind the poor fish that gamble. I don't like the professionals that take the suckers.

A - Rebecca Quick {BIO 16400962 <GO>}

All right. Moshi Levine writes in, he's an American living in Israel. He says, "If you deem stock prices to be overvalued or in a bubble, do you think it's best to keep your money in cash while waiting for prices to come down to a fair price? Or would it be a better idea to invest this money in some way while waiting until stock prices are fair again and then sell the investment to buy the stocks?"

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, Charlie and I have had that discussion on a lot of things there. We bought some stocks we really don't know that much about, but I'm not really comfortable doing that.

A - Charles Munger {BIO 1406508 <GO>}

We used to shooting fish in a barrel, but that's gotten harder.

A - Warren E. Buffett {BIO 1387055 <GO>}

We've got probably 10% to 15% of our total assets in cash beyond what I would like to have just as a way of protecting the owners and the people that are our partners from ever having us ever getting a pickle. We really run Berkshire and make sure that we don't want to lose other people's money who stick with us for years. We can't help somebody who does and buys it today and sells it tomorrow. But we've got a real gene that pushes us in that direction, but we've got more than we -- we've got probably $70 billion or 80 billion, something like that maybe, that we'd love to put the work, but that's 10% of our assets, roughly. And we probably won't get, we won't get a chance to do it under these conditions, but conditions change very, very, very rapidly sometimes in markets. And we do have people that would like to join us, but the market option they have is just, is too great for them. If they're publicly traded, I mean, they basically can't, they would have great difficulty, well, then making a deal with us because somebody else would come along with using other people's money. It's, we may be unhappy about the $70 billion, but we're very happy about the other $700 billion, so it's not like we should complain.

A - Rebecca Quick {BIO 16400962 <GO>}

Warren, when we spoke before the annual meeting, you said that it was okay if I asked a follow-up or two, and I'd like to make one of those right now. You said you bought some stocks that you don't know a lot about, what are they?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, I will not get into naming what stocks I did and it maybe that there's something there that I think I know about that I don't know about, but we've bought stocks where Charlie and I -- I mean, we know the business generally, but we don't have any insights. And they are as a group, if I had to tell me I was going to be shot, and once I got the best result, I would rather own those stocks than the treasury bills we own. But on the other hand, we work with the quantities of money where if we put $50 billion at the things that I'm kind of so, so about, but that are better than treasury bills, it doesn't. I'm not wildly comfortable about that even though it can be undone.

That's selling $50 billion when it's really attractive to buy something else. There's a lot of slippage that can happen in moving sums like that around. So that's something we talk about all the time. They're good companies, they're fine companies, but do we know something about those companies or have a way of evaluating that gives us an edge, the answer, I think, what do you feel about Charlie? We've talked about it a lot.

A - Charles Munger {BIO 1406508 <GO>}

Well, of course, it's a lot harder. And I think one consequence of the present situation is that Bernie Sanders has basically won. And that's because with the, everything boomed up so high and interest rates, so low what's going to happen is the millennial generation is going to have a hell of a time getting rich compared to our generation. And so the difference between the rich and the poor and the generation that's rising is going to be a lot less. So Bernie has won. He did it by accident, but he won.

A - Rebecca Quick {BIO 16400962 <GO>}

All right. This question comes from Danny Poland, a shareholder from Pittsburgh. A prominent Senator recently categorized share buybacks as a form of market manipulation. You've often said that repurchasing shares at prices below intrinsic value benefits continuing shareholders, could you and Charlie, please elaborate on the higher order effect that these share repurchases have on society?

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah, they're a way essentially of distributing cash to the people that want the cash when other co-owners mostly want you to re-invest and it's a savings vehicle. If the four of us sitting at this table decided we'd buy a few Dairy Queen franchises, we formed a little company and we all put in a million dollars or something like that, and we buy the Dairy Queen franchises and they're doing well. And three of the four of us want to keep buying more Dairy Queen franchises and we're not done building and saving for the future. And we're in the wealth creation business. And the fourth one says, "Listen, I've gotten rich enough. I'd rather take some money out and well, there's only two ways to do it. We can pay dividends, all four of us, three of us of whom don't want it. And, and we can, we can repurchase the shares at a fair price. It was just the four of us. We pick out a fair price and the fourth one gets bought out of his interest.

It -- I find it almost impossible to believe some of the arguments that are made that it's terrible to repurchase shares from a partner if they want to get out of something and you're able to do it at a price that's advantageous to the people that are staying and it helps slightly like the person that wants out. And a majority of the Berkshire shareholders, a great majority, we had to vote on dividends one time, we've got savers. Now that's partly because we've advertised ourselves as being that sort of a vehicle. We've created that something. We've stuck with it for 57 years in. And people look, individuals, huge number, look at Berkshire as something they're going to own until they die and now their circumstances may change, their needs may change, but the savers generally keep saving.

We've just recently had somebody that bothered, came with us 60 years ago and billions of dollars. And they just, they weren't saving exactly for their old age. It just was sort of built into them that they liked to do it, now philanthropies will get got a lot of money and so on. It's the most, what could be more logical than if a very small minority of your holders want to get out and most of them want to stay in and the person wants to get out, wants the money, you don't get the money to everybody, you give it to the one who wants it. And you do it at a price that is beneficial to most parties, on a private deal. You'd work out the fair value. The market tells you the value in the case of a publicly traded company. Charlie, got any?

A - Charles Munger {BIO 1406508 <GO>}

Well, if you're repurchasing stock, just a bullet higher, it's deeply immoral, but if you're repurchasing stock because it's a fair thing to do in the interest of your existing shareholders, it's a highly moral act and the people who were criticizing it are bonkers.

A - Rebecca Quick {BIO 16400962 <GO>}

Okay. This comes from Gary Gambino. He wants to know if Berkshire would switch its capital return policy to dividends from buybacks, if the capital gains rate goes up to 43.4%, dividends would be far more tax advantaged for shareholders under that scenario.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah, we literally did have a vote by our shareholders. Now we've got a different group of shareholders than a REIT would have or an MLP might have. I mean, there's different. People select what they go into and people that go into SPACs are hoping the stock goes up next week, I mean basically, and we've got a bunch of people that were assembled over 55 years. But they started with a base of people that it was a lifetime investment. And if they wanted to cash out, they thought they'd get a fair price at that time. But they really didn't, they bought it with no intentions like that.

So we had a vote and it was something like 97% or something of the shareholders said that they don't want a dividend. And now that wouldn't be true at other companies and it'd be crazy to be paying a regular dividend like Coca-Cola has done for many years. And then all of a sudden change the policy on millions of people who have bought it with one expectation in mind and try and change it into a different animal. But Coca Cola isn't going to change to Berkshire and Berkshire isn't going to change the Coca-Cola. We've got a different group of owners and it will keep self-selecting because people have a choice every day. Which do you want to -- sort of thing, do you want to be in it? And Berkshire is a certain kind of animal in that respect.

So we will not -- if they jig around the tax laws, that's really got nothing to do with the decision. I mean, we've got a very substantial majority of people that don't want us to reinvest the money. And, what they're more concerned about is whether we find something to do with the money, the a hundred billion or something and repurchasing shares is something that helps them in their, but they own a larger percentage of Berkshire as they go along. And they bought, they love to see us buy another business, but they don't mind us intensifying their interest in the present business.

A - Rebecca Quick {BIO 16400962 <GO>}

You got a lot of questions that came in on taxes. So I'll run through a few of them. We'll see kind of how many you answered before we get to them? But this one came from Arthur Lewis in Denver. What are your thoughts on the new administration's capital gains, corporate tax and stepped up basis tax increases?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, if Charlie wants to answer that, I'll be glad to have him do it. I, long ago, many times it said that I don't put my political opinions or anything in a blind trust when I take this job, but I also don't speak for Berkshire Hathaway. I mean, we've got people that have very different views on taxes and I've expressed some things in the past. I don't like to speak on behalf of, when I'm sitting at a Berkshire Hathaway annual meeting, presumably speaking for Berkshire. I don't really like get into political questions generally.

I don't really think I should, but I also think if somebody asked me who I voted for the last elections in a personal way, I voted for mine. But I don't, I've never asked a single employee of ours who they voted for, anything of the sort, what religion. It just -- and it, I am not authorized to go around signing my name was chairman of Berkshire Hathaway then to proposals, right. If I write op ed pieces, I do it as an individual, I try and make it clear. So I don't think I'll -- I don't want to use the meeting to give a lot of views about taxes, Charlie.

A - Charles Munger {BIO 1406508 <GO>}

No, but I think it's probably a mistake to be basically anticapitalist. I think capitalism is what raises GDP for everybody. And so -- and I have also a feeling that Benjamin Franklin was right when he said that it's hard for an empty sack to stand upright, and to some extent, the prosperity of leading American institutions helps them behave better. Now, there are exceptions in promotional financing. So I'm -- but by and large, Franklin was right. And so I'm a little wary of just constantly getting mad at people because they have a little more money.

A - Rebecca Quick {BIO 16400962 <GO>}

Charlie, there was a question that came in specifically to you on the tax issue. Over the years and with emphasis in 2020, we've heard people leaving California for various reasons, such as high cost of living, high taxes, et cetera. I understand that you believe it's dumb for states to have policies and laws that provoke rich residents leaving, but are your thoughts -- what are your thoughts on those people leaving? What keeps you in California?

A - Charles Munger {BIO 1406508 <GO>}

Well, that's a very interesting question. I frequently say that I wouldn't move across the street to save my children $500 million in taxes and stuff. So I have -- that's my personal view of the subject, but I do think it is stupid for states to drive out their wealthiest citizens. The old people that don't commit any crimes, they donate to the local charity, who in the hell in their right mind would drive out the rich people? I mean, Florida and places like that are very shrewd and places like California are being very stupid. It's contrary to the interest of the state.

A - Rebecca Quick {BIO 16400962 <GO>}

One more question for you, Jack Robbins asks, how will a 25% to 28% corporate tax rate affect Berkshire's companies?

A - Charles Munger {BIO 1406508 <GO>}

Well, I don't think it would be the end of the world. We've adapted to the tax rate, whatever it is.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah. I would say that if they raise the tax rate, the federal government's owning a larger percentage of business. But I'm not saying what the tax rate is, but we have a class A stock and a class B stock. The U.S. government owns what I call the class AA stock, that's a very special stock. They get a percentage of the earnings, but they don't own the assets and they don't vote on who gets to run the place or anything else. But if the government wants to take -- when I was first starting, they used take 52%, the federal government did of corporate profits. And they've got, what would you pay to own the government's class eight AA stock? If there was a public issue by the US Treasury and they said, "This vehicle -- given a name like SPAC or something, even sexier, but -- and all it will do is it owns the future tax payments of Berkshire Hathaway forever? And how much is that stock now worth?"

And it gets, and it'll pay a big cash dividend and they'll go up as we retain earnings and build the company and everything else. It's worth more. If it's -- if the tax rate is 25% or 28% or 52%, then at 21%, they own a special stock and when people talk about how it all gets passed through to customer and everything in the utility business that actually does, that's a special case, but it doesn't in most of our businesses. I mean, it's just -- it's a corporate fiction when they put out statements about the fact that this will be terrible for all of you people, we pay more taxes and it hurts the Berkshire shareholders if rates are higher and that may be quite appropriate.

But to say otherwise, is just that it doesn't make any sense. I would love to see the government actually issue. They could set up a company, just call it the Berkshire Hathaway tax company. And it would take all the taxes we paid every year. How much would they be able to sell that asset for? They talk about unfunded obligations of the government. That's an unreported asset of the federal government, but they own part of Berkshire and they get to determine how much, I mean, it's an interesting question.

A - Rebecca Quick {BIO 16400962 <GO>}

One last tax question. This one comes from William Barnard, who says in the owner's manual, a portion of your annual report, Warren, you state on my death, none of my stock will have to be sold to take care of the cash requests I've made or for taxes. With the recent Biden proposal to treat unrealized gains as sold and taxable at death at a 43.4% rate, change the amount of stock required to be sold for payment of taxes upon your death?

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah, well, the tax laws can be changed tomorrow. And I don't -- it can be done a lot of different ways and it's been done a lot of different ways in the past. I can tell you, I can actually make a promise to society that 99.7% of what I have when I die will either go to philanthropy or to the federal government. And the federal government can actually determine the rules on that. And, no, I would prefer that it would go to philanthropy. I think it actually will accomplish more utility if it goes to be used by some smart people in philanthropy than if it's simply reduces the federal debt by $100 billion dollars or something when I die. I don't think it makes a bit of difference, if federal debt is $100 billion higher or lower, it won't change anything in the world.

And at present days, it doesn't really save them anything because they can borrow $100 billion. It doesn't cost them anything anyway, but that's conditioned won't prevail. But I would not regard it. I'm just talking personally, I'm not advocating this public policy, but I wouldn't, if they took it all, it would not bother me. I mean it...

A - Charles Munger {BIO 1406508 <GO>}

I guarantee it won't bother you.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah, Charlie, says you won't know. If the American democracy decide that it's better to take it all, which I don't think they will or I don't think they should, but nevertheless, so what? I would like to see it used to accomplish the most for humanity and that means having smart people properly motivated. And more importantly, I mean, not improperly motivated, distribute it in a way. And then who knows what the hell it would be 10, 20, 30 or 40 years from now. I do know if it goes to the government, it basically reduces the national debt by that amount. I don't think it changes whether they change the minimum wage laws or anything else. I just think a little figure changes, it'll show up in the budget one day, "Received from Buffett, X," and then some huge figure appears down below. I don't think I really -- so I would prefer it be used privately, but that's really up to the people of the United States to decide through their representatives.

A - Rebecca Quick {BIO 16400962 <GO>}

This next question is for Ajit, it comes from Professor (inaudible) at the Missouri University of Science and Technology, who says, "Mr. Jain, what has COVID-19 taught us about systemic and correlated risk? And there -- is there anything that we will do differently from now on?"

A - Ajit Jain {BIO 3192279 <GO>}

Yeah. In the insurance business, we often think about pandemic risk as one of the risk factors that we need to cope with in our business. Having said that, I think the big lesson for us having gone through what we've gone through recently is that while we were aware of the fact that pandemic risk is a risk factor, if it's totally, totally under-priced by all of us in the industry, several of us thought it's an event that will happen at most once in a hundred years and even then those odds are pretty high. So I think the big lesson for us is to recalibrate and rethink about what the return time is for something like a pandemic risk.

And separately, we haven't yet done a good enough job as an industry, I'm saying, in terms of correlating the risk and aggregating the risk and making sure we can deal with the aggregate numbers. For example, pandemic risk has obviously taken people's lives. But then separately, a bunch of us used to write something called event cancellation or contingency policies. And in terms of pricing for the contingency policies, like the Olympics being canceled, NBC would buy insurance for their rights, which might suddenly be not worth much. And when pricing something like that, we would think in terms of earthquake and risk and more recently terrorism, but we would never factor something like what portion of the price should come from the pandemic exposure.

So I think the industry will become a lot more sophisticated in terms of thinking through what is the impact of pandemic risks across the entire portfolio as opposed to it just being localized to one or two areas.

A - Rebecca Quick {BIO 16400962 <GO>}

And I'm sorry, Don [ph] asked if anyone else on the stage wanted to comment after Ajit on that same topic?

A - Warren E. Buffett {BIO 1387055 <GO>}

I missed that.

A - Rebecca Quick {BIO 16400962 <GO>}

He was just looking if anyone else on the stage wanted to comment on that.

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, as Ajit mentioned, people were throwing in, well, an event cancellation. I mean, lots of people buy insurance against the Olympics being canceled or the United States not participating. I mean, they try to think of all kinds of risks because they have ad campaigns based upon all. So there's a lot of event cancellation insurance, and it was probably underpriced the implicit part of that premium that was attributable to a pandemic risk. I mean, Bill Gates gave a terrific talk at TEDx, five or six years ago and people ignored it. And it's very interesting because this isn't a worst case, what we've seen. And, yet it's staggering in terms of what has happened and people that brought insurance that they may have found out sometimes that they were covering things they didn't want, it didn't even intend to cover. And maybe the insurance didn't think they were buying, but nevertheless, after the event occurs that they get very inventive in coming after them. There are certain risks too, that are just too big. The nuclear risk, for example, I mean the federal government is very early on. They recognized that the private insurance industry, they can't handle the risk involved in -- the financial risk that would be involved in terms of a massive nuclear strike or something like that.

So it's the pandemics, the wording will be much more careful and in future policies on trying to divine it very precisely. And incidentally, I mean, in the way the cases have come so far in the United Kingdom, I mean, I think there was one particular insurer. I mean, the cases are coming down much tougher on insurers in the United States. I mean, the policies were just written differently. You don't get insurance against something you don't buy against it for. And generally the court decisions have come down favorable to insurers. And at Berkshire, it just so happens, we are not a big player, but that's in commercial moldable peril, which might be where -- it is not a huge factor for Berkshire.

A - Rebecca Quick {BIO 16400962 <GO>}

This follow up question is from Martin Devine. And he asked both Ajit and Warren, what's your best estimate of Berkshire's insurance claim exposure from the COVID-19 pandemic?

A - Ajit Jain {BIO 3192279 <GO>}

Well, in terms of reserves starting from last year to the end of the first quarter of this year, we have put up a $1.6 billion and change in terms of reserves. Now, what that doesn't take into account is some of the frequency benefit because of COVID-19 that results because of fewer accidents and GEICO has had a huge tailwind because of that. But in terms of what the insurance operations collectively are going to be writing checks for that number as of now is about $1.6 billion. And my guess is that will probably grow because if you look upon it, the industry as a whole, has reserved -- we reserved $1.6, as I mentioned. The industry as a whole is reserved about $25 billion to $30 billion for COVID-19 as of now.

If you believe the pundits in the industry, they will tell you that number is probably going to be closer to $100 billion. So there's another about $70 billion and $75 billion of COVID-19 losses that need to flow through insurance industries balance sheet and income statement. Our number therefore of $1.6 billion that we have as of now is going to be a lot, lot higher, but it's not something that we cannot manage completely.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah, we will not be it in this top five payers, my guess, of insurance claims, even though we're -- we write a much smaller amount of both life insurance and annuities, actually. And in the end, we have more life insurance claims, but the annuities are not going to last.

More people will have died that would have otherwise got payments under annuities. It cuts a lot of ways. It's one of the great human catastrophes of all time, but it was not that big in insurance. I would say this, if the insurance industry thinks they're going to lose $100 billion, the $100 billion ought to be up on their books. The idea of feeding in losses -- you've got a liability and our goal is not -- our goal is to have put up the liability when we think it's happened. And then if we should not be at $1.6 billion, I would say this. If we really think we're going to have some proportional share of $100 billion, but that's enough said on that.

A - Rebecca Quick {BIO 16400962 <GO>}

This next question is for Greg, but also for Warren and Charlie. It's from Blair Miller [ph] who asks, "What does the combination of Kansas City Southern with either Canadian Pacific or Canadian National mean to BNSF in terms of competition? And do you think the synergies of the merger will justify the multiple paid?"

A - Gregory E. Abel {BIO 1416724 <GO>}

Sure. It's obviously a transaction we followed very closely with both Canadian National and Canadian Pacific bidding to purchase Kansas City Southern. Either of those companies acquiring Kansas City Southern will have an impact on BNSF. What they're basically proposing is to create a north/south railway that goes from Canada into Mexico. We do have a strong presence in Mexico, not as strong as some of our competition, but we would feel competition there. So we'll follow that transaction very closely. As it goes before the Surface Transportation Board, the standard that will be applied is that competition has to be protected or enhanced, so that's our opportunity to protect our franchise on behalf of our customers. So we move intermodal business both in and out of there on behalf of certain customers. We'll want to protect the rights of our customers there, so we'll be active in the approval process. But there's no question at the end it impacts our franchise. Warren?

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah, it's not huge, but it affects both the Union Pacific and BNSF to a small degree, a relatively small degree. But that's not really the worry of the Surface Transportation Board. Their job is to do what's best for the shippers. And in terms of the price that's being paid, like I say, if you can borrow all the money for nothing, it doesn't make much difference to people. And this would not be being paid under a different interest rate environment. I mean, it's very simple. There's no magic to the Kansas City Southern. It's got a -- I think their deal with Mexico ends in 2047 and it's the number of carloads carried. I mean, it's not going to change that much, but it is kind of interesting. There's only two major Canadian, what they call Class I railroads and there's five in the United States. And this will result in, essentially, three of the units being Canadian, four being U.S., which is not the way you normally think of the way the development of the railroad system would work in the United States. But we've talked about plenty and CPE, either Canadian Pacific or Canadian National is very likely to get it. I think the Surface Transportation Board book voted four-to-one, didn't they the other day? It didn't get -- am I correct on...

A - Gregory E. Abel {BIO 1416724 <GO>}

They voted on an initial trust structure that they had to approve for Canadian Pacific and that was a four-to-one vote, as you noted, Warren, so they're moving forward with the evaluation of it.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah. And normally railroad deals are very long, take a long time for them to evaluate. But in this case, I think they have two opposing trust proposals. And in effect, if they make a quick decision on which trust proposal that they allow, I don't see they'll allow two proposals exactly, so it may be a very accelerated decision, I don't know. But it's up to the Surface Transportation Board to do what's best for what their obligation is to the country to do.

A - Rebecca Quick {BIO 16400962 <GO>}

And there was a follow-up question on that. Do you think the valuation that they're paying is worth it?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, in a very, very mild way, I mean, everybody's kind of played at making deals with different railroads ever since I've been in the railroad business. So we've talked about it. When CP, when Hunter Harrison came after it -- was it Hunter that bid on CP that kind of lead the way? We looked at buying CP. Everybody looks at everything. And we would not pay this price. It implies a price for BNSF that's even higher than what the UP is selling for. But it's kind of play money to some degree, I mean, when interest rates are this low. And I'm sure from the standpoint of both CP and CN, there's only one K.C. Southern. They're not going to get a chance to expand. They're not going to buy us. They're not going to buy the UP. And the juices flow and the prices go up.

A - Charles Munger {BIO 1406508 <GO>}

They're buying with somebody else's money.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah. It's somebody else's money and you're going to retire in five or 10 years. People are not going to remember what you paid, but they're going to remember whether you built a larger system. And the investment bankers are cheering you on at every move. They're just saying, "You could pay more." They're moving the figures around. The spreadsheets are out and the fees are flowing.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Asher Haft in Brooklyn who says -- Asher has been a shareholder since 2006. It says that he appreciates your honesty and candidness when it comes to explaining costly errors you made. In this year's Chairman letter, you discuss that you made a mistake in 2016 when calculating Precision Castparts' average amount of future earnings, which resulted in Berkshire overpaying to acquire it. It appears that Precision's earnings declined substantially in 2020 because of the pandemic and the effect of airline and travel industry. What calculations could you have made in 2016 that might have altered your decision to acquire it? And secondly are the problems Precision is currently facing larger than the pandemic?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, Berkshire didn't make the mistake. I made the mistake, incidentally. Anytime we look at buying a business, we're evaluating the competitive strengths of the business, the price we have to pay, the management we got everything in. And we didn't make a mistake on the management, but in terms of the earning power on average, when Boeing has troubles with a MAX, well, that's a probability. I mean, anytime any customers that big, I mean, all kinds of things are going to happen. And we have seen some of those things happen. And therefore I paid too much in relation to average earnings. It's a terrific company and I'm happy with the management and everything, but GE doesn't need as many engines as we thought they'd need. And they get into the power business and a variety of things. And we don't know they were in the businesses, but we did not think those businesses would necessarily be in something close to a depression when other businesses that we bought end up sometimes doing better than we think. But we'll continue making mistakes. I mean, I shouldn't say we will, I will, but even these...

A - Charles Munger {BIO 1406508 <GO>}

The rest of us will help.

A - Warren E. Buffett {BIO 1387055 <GO>}

And we've got some wonderful deals and some terrible deals. The nice thing about it is, as I pointed out, that this doesn't really apply in the case of Precision precisely, but when we're disappointed in a business, it usually becomes a smaller and smaller percentage of our business just by the nature of things because it isn't going any place. And when we got a successful business, like a GEICO or something of the sort, GEICO is doing -- there they're doing 15 times as much business as when we bought control in 1999. They become a proportionally much more important part of our mix. So you really get -- through just natural forces, you get more of your money in the things that have developed more favorably than you thought.

You actually end up getting a greater concentration in the ones that work out. It's not like -- Charlie would say, it's not like having children. I mean, the bad will cause you more problems. But in the children of businesses, the small ones kind of -- with the way we started with three businesses, Charlie and I and Berkshire was textiles, Diversified Retailing was a department store, and trading stamps were blue chip business and those were the three companies we put together and all three of the original businesses failed, which sort of gets me in terms of the people that are worried about don't we know that coal is going to be phased out over time. Of course, we know coal's going to, but that doesn't mean we're going to be phased out over time. I mean, every business has some things to think about that way.

The biggest danger, they have that section in the perspectives called -- what do they call that about certain...

A - Gregory E. Abel {BIO 1416724 <GO>}

Risk factors.

A - Warren E. Buffett {BIO 1387055 <GO>}

Risk factors, yeah. The number one risk factor, you never see it. The number one risk factor is that this business gets the wrong management and you get a guy or a woman in charge of it that they're personable, the directors like them, they don't know what they're doing, but they know how to put on an appearance, that's the biggest single danger that a business run. And that person stays and runs it for 10 or 15 years and either stays in the textile business, a department store business and expands. I've looked at a lot of businesses and that's what's caused the number one problem. It isn't the kind of thing where they list them all because the lawyers tell them to list them.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Ragu Boshwell [ph] and it's for both Warren and Charlie. Now that the crypto market overall is valued at $2 trillion, do you still consider cryptos as worthless artificial gold?

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah, I knew there'd be a question on Bitcoin. And I thought to myself, well, I've watched these politicians dodge questions all the time and I always find it kind of disgusting when they do it. But the truth is, I'm going to dodge that question because we've probably got hundreds of thousands of people watching this that own Bitcoin and we've got two people that are short. So we've got a choice of making 400,000 people mad at us and unhappy and/or making two people happy. That's just a dumb equation. I thought about it. We had a governor one time in Nebraska, a long time ago. He would get a tough question, what do you think about property taxes or what should we do about schools? He'd look right at the person, and he'd say, "I'm all right on that one" and he'd just walk off. Well, I'm all right on that one and maybe we'll see how Charlie is.

A - Charles Munger {BIO 1406508 <GO>}

Well, those who know me well are just waving the red flag at the bull. Of course, I hate the Bitcoin success and I don't welcome a currency that's so useful and the kidnappers in our stores and so forth, nor do I like just shuffling out a few extra billions and billions and billions of dollars to somebody who just invented a new financial product out of thin air. I think I should say modestly that I think the whole damn development is disgusting in contrary to the interests of civilization and I'll let leave the criticism to others.

A - Warren E. Buffett {BIO 1387055 <GO>}

I'm all right on that one.

A - Rebecca Quick {BIO 16400962 <GO>}

The question that comes in -- or the next series of questions are from James Hernandez. He has two questions, one for Ajit, one for Greg. They both concern Elon Musk. For Greg, this question is for you. Elon Musk has stated that Berkshire Hathaway's energy proposal for Texas, spending more than $9 billion for new generating capacity, is wrong. Instead, Mr. Musk argues that load balancing using battery storage is the appropriate course of action. Can you explain why the BAG proposal is the better course of action for Governor Abbott in the State of Texas? Specifically, what amount of savings can the citizens of Texas expect above and beyond what Mr. Musk is proposing?

A - Gregory E. Abel {BIO 1416724 <GO>}

Sure. Obviously, there is a very unfortunate event in Texas in February and it basically lasted four days. Many lives were lost. The economic damage was significant. Texas has highlighted that anywhere from $80 billion to $130 billion in incurred losses over that period of time. And I think when you look at the power sector, it fundamentally let the citizens down. It didn't perform as they expected. And then when it did perform, it was extremely expensive. They incurred billions and billions of dollars of energy costs versus a multiple of basically 10 times what they paid. They paid 10 times in energy costs over those four days what they paid in the past year, so a very substantial event for Texas.

We've gone to Texas with what we believe is a good solution. We spent a lot of time pulling it together, understanding the fundamental issues around it. And our proposal is really based upon the fact that the health and welfare of Texans were at risk and we needed to have, effectively, an insurance policy in place for them, that if they needed the power on very short notice, it would be able to be dispatched and it would be there for the four days. We're actually proposing it could be there for seven days. And the fundamental concept of our proposal has always been, if there's a better proposal that's brought forward, we've accomplished our mission. We've just been really there to -- it's the best proposal or option we could come up with. And obviously, if Texas or Elon or someone else comes up with a better proposition, we've always said, "Texas, you should pursue it." We strongly believe right now we have what remains is a very good proposal for Texas and it'll continue to be discussed and evaluated.

The big difference between a battery proposal and our proposal is that we will have power that can be generated continuously for seven consistent days where if you went to a battery solution, you may release that power that's been stored for four hours, but we're talking four days of a problem, not four hours. And it's just a completely different cost equation and solutions. So very proud that our team's brought forward what I thought was a very unique solution. We've worked hard with our suppliers and Peter Kiewit & Sons to put together what we believe is a firm cost that can also be delivered by November of '23. So again, we put a firm date on. It won't be ready next winter, unfortunately. It won't be ready this summer, but it's a valuable solution and one that we hope at least leads to the right discussion and the right long-term solution for the state.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah. We're also willing to put up $4 billion that if we don't deliver when we say we're going to deliver, well, we'll pay it as a penalty basically. We went to Kiewit. We went to General Electric and said, "How long can we get turbines for that?" If you're going to be prepared for 2023, you have to start at a point fairly soon and you have inflation going on.

And Kiewit's not going to change things on us in a month. We don't try to get the contracts all written out. They had a hundred people working on it.

A - Gregory E. Abel {BIO 1416724 <GO>}

Yeah, they had hundreds working on it.

A - Warren E. Buffett {BIO 1387055 <GO>}

And GE's cooperative and everything, but it doesn't mean we have the best solution. We just know what we can do. And if anybody can do it faster, they can do it cheaper, whatever, that's terrific, but they should have something to lose if they don't do it. I mean, we will back our promise up by $4 billion and we won't have any rinky-dink clauses in there that if this happens or that happens, we don't pay -- but we won't be able to do that a year from now. I mean, we can do it a year from now with the costs then from what they are then and then it'll be a year further out.

We want Texas. And Texas is a terrific place to do business. We do a lot of business there where BHHS had its headquarters. And it's a great place. And this was out of the blue, but one way or another, the nature of utility business is that you got to -- you have to be prepared for something that probably isn't going to happen. You don't want to say, "Well, it's one in 30-year event," and then people die. I mean, you want a margin of safety in it. And we've got one solution and other people may have other solutions. We will cheer when a solution is reached of any kind and we will cheer a little louder if it's ours.

A - Rebecca Quick {BIO 16400962 <GO>}

And Ajit your question from this gentlemen. Suppose the hypothetical situation arises where Warren Buffett calls you on the phone to tell you that Elon Musk has contacted him about writing an insurance policy on his proposed mission to and subsequent colonization of Mars. Specifically, he wants insurance to insure a SpaceX heavy rocket capsule, payload, and human capital. Would you underwrite any portion of a venture like that?

A - Charles Munger {BIO 1406508 <GO>}

This is an easy one. No, thank you. I'll pass.

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, I would say it would depend on the premium and I would say that I would probably have a somewhat different rate if Elon was on board or not on board. I mean, it makes a difference. I mean, if somebody is asking you to insure something, that's called getting skin in the game.

A - Ajit Jain {BIO 3192279 <GO>}

But in general, I would be very concerned about writing an insurance policy where Elon Musk is on the other side.

A - Rebecca Quick {BIO 16400962 <GO>}

Okay.

A - Warren E. Buffett {BIO 1387055 <GO>}

Tell Elon to call me instead of Ajit.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Michael Lu from California. This is for both Warren and Charlie. In your shareholder letter, you mentioned that the best investment results come from the companies that require minimum assets to conduct high-margin businesses. In today's world many of these companies tend to be software-driven businesses. While Berkshire has avoided investing in high-growth technology companies in the past, this appears to be slowly changing with your investments in Apple and Snowflake. As shareholders, should we expect that high-margin businesses will begin to constitute a larger proportion of Berkshire's investment portfolio over time, particularly as Todd and Ted take on larger roles in the investment decision process?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, we've always known that the green business is the one that takes very little capital and grows a lot. And Apple and Google and Microsoft and Facebook are terrific examples of that. I mean, Apple has $37 billion in property, plant, equipment. Berkshire has $170 billion or something like that and they're going to make a lot more money than we do. They're in better business. It's a much better business than we have. And Microsoft's business is a way better business than we have. Google's business is a way better business. We've always looked -- we've known that a long time. We found that out with See's candy in 1972. I mean, See's candy just doesn't require that much capital. It doesn't have -- it has, obviously, a couple of manufacturing plants. They call them kitchens. But it doesn't have big inventories, except seasonally for a short period. It doesn't have a lot of receivables. So those are the kinds of businesses, they're the best businesses, but they command the best prices too. And there aren't that many of them and they don't always stay that way.

So we're looking for them all the time. And we've got a few that are pretty darn good, but we don't have anything as big as the big guy, but that's what everybody's looking for. That's what capitalism is about, people getting a return on capital. And the way you get it is having something that doesn't take too much capital. I mean, if you have to really put out tons and tons of capital -- Utility business is that way. It's not a super high-return business. You just have to put out a lot of capital. You get a return on that capital, but you don't get fabulous returns. You don't get Google-like returns or anything remotely close to it. We're proposing a return in the transaction with the proposition with Texas. I think it's a 9.3%, isn't it?

A - Gregory E. Abel {BIO 1416724 <GO>}

Yeah, 9.3%.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah. But if you look at the return on most American businesses on net tangible assets, it's a lot higher than 9.3%, but they aren't utility businesses either.

A - Rebecca Quick {BIO 16400962 <GO>}

Charlie, did you want to add anything to that?

A - Charles Munger {BIO 1406508 <GO>}

Not a thing.

A - Rebecca Quick {BIO 16400962 <GO>}

This question is from Ryan Fusaro in New York City, who says, "Todd and Ted have taken on increased responsibility at Berkshire over the years, managing larger pools of capital, including the Company's sizable Apple holdings, participating in M&A strategy, and even overseeing the Company's now shuttered healthcare partnership with Amazon and JP Morgan. We are grateful for their efforts, but Todd and Ted are still not made available to shareholders at the annual meeting each year. Given their growing importance to the firm, can you discuss this policy and whether we can expect to hear from them more in the coming years?

A - Warren E. Buffett {BIO 1387055 <GO>}

They're both absolutely terrific. And that's one reason I don't want people quizzing them on stocks. They are assets of Berkshire. There's no reason for them to be out educating other people on how to compete with us. It always seemed so silly that people expect it. They don't expect Merck or Pfizer or something to tell them exactly what their scientists are working on and where they stand or where the failures have been so they can eliminate those. If you've got talent that knows how to evaluate businesses and those two fellows have gone far beyond that, they're terrific assets. They love Berkshire and they work extraordinary hours, but we don't really want them going around with people asking them questions about why you like this industry better than that industry or anything of the sort.

A - Rebecca Quick {BIO 16400962 <GO>}

This question is for Charlie. It comes from Steven Tedder in Atlanta. He's been a Berkshire shareholder for 10 years and says, "You and your friend, Li Lu, have been very optimistic with respect to investing opportunities in China. BYD has performed spectacularly for Berkshire since its initial purchase in 2008 and is currently valued at $5.8 billion. The Daily Journal recently bought a large position in Alibaba after founder, Jack Ma, had been reprimanded by the Chinese Communist Party and Ma's other company, Ant, was not allowed to proceed with its IPO. What are your current thoughts on China and whether the Communist leaders will allow businesses with strong leadership to flourish in decades to come?"

A - Charles Munger {BIO 1406508 <GO>}

Well, I think that the Chinese government will allow businesses to flourish. It was one of the most remarkable things that ever happened in the history of the world when a bunch of committed Communists just looked at the prosperity of places like Singapore and said, "The hell with this. We're not going to stay here in poverty. We're going to copy what works." And they changed communism. They just accepted Adam Smith and added it to their Communism. Now we have Communism with Chinese characteristics, which is China with a free market with a bunch of millionaires and so forth. And they made that shift. They deserve a lot of credit. Warren and I are not quite as good at that, at changing our minds, in many cases.

And that was a remarkable change coming from such a place. Of course, it's worked like gangbusters. That is enormous growth in the average income of the average Chinese. They've lifted 800 million people out of poverty fast. There was never anything like it in the history of the world, so my hat is off to the Chinese. I think they will continue to allow people to make money. They've learned it works. I love what the guy said in the first place, "I don't care whether the cat is black and white as long as it catches mice." That's my kind of talk.

A - Warren E. Buffett {BIO 1387055 <GO>}

In that list of the 20 most valuable companies, three are Chinese. Now, if you're looking out 30 years, probably things will be changing. My guess is more, but I don't think it will top the United States, but who knows? It's amazing what has been accomplished.

A - Charles Munger {BIO 1406508 <GO>}

Yeah, really amazing.

A - Warren E. Buffett {BIO 1387055 <GO>}

And they found what works. I mean, there's nothing like finding something that works in order to sort of reinforce ideas over time. We'll see what happens, but I would bet there will be more than three, but I will bet the United States has more than China has, too.

A - Rebecca Quick {BIO 16400962 <GO>}

This one comes from Tim Medley in Jackson, Mississippi, who's been a Berkshire shareholder since 1987. He writes, "On March 19, respected economist Larry Summers, the former president of Harvard University and the former Secretary of the Treasury under President Obama, was critical of President Joe Biden's $1.9 trillion American Rescue Stimulus Plan. In an interview with Bloomberg Television he said, "I am much more worried that we will have more inflation or that we will have a pretty dramatic fiscal monetary collision. This goes way beyond what is necessary." He said also, "This is the least responsible macro economic policy we've had in the last 40 years." Your thoughts?

A - Warren E. Buffett {BIO 1387055 <GO>}

You guys gave me on that?

A - Rebecca Quick {BIO 16400962 <GO>}

He didn't write to who, so I guess anybody on the stage.

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, I would say that Larry has been reading his uncle's book, which was Paul Samuelson. Larry is a very, very, very smart fellow. And he's laying out possibilities which actually now have probably been voiced a little more even since that March 19th, whatever date it was, that he made that. You can't just do one thing in economics. If we really could shovel out more and more debt and the carrying cost turned out to be something very well -- people thought Japan couldn't do what they've done. But they used to be called the Widow Maker around Solomon and people were shorting Japanese bonds. But the answer is we don't know, but Larry's view is an important view. And it's just as good as, probably, the view on the other side might be. We don't know what happens from the present policies.

We do know, as Jay Paul said the other day, the idea that a hundred percent of GDP was some terribly dangerous level in terms of debt, that doesn't really make a whole lot of sense now. And that used to be kind of accepted wisdom. We've learned a lot of things we thought before weren't true, but what we haven't learned yet is whether what we're doing now is true. And the best thing to do is recognize you don't know and proceed in a way where you get a decent result, no matter what happens and that's what we try and do at Berkshire Hathaway. We do not think we can make money by making macro economic predictions. We do think we can be pretty darn sure we will get a reasonable result under policies that will not maximize results if we could do a sort of thing.

A - Charles Munger {BIO 1406508 <GO>}

It's not at all clear whether Larry is right or wrong.

A - Warren E. Buffett {BIO 1387055 <GO>}

He's a smart man, though.

A - Charles Munger {BIO 1406508 <GO>}

He is a smart man. It's courageous of him to raising it, too. He's practically the only one talking that way, which I admire, by the way.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah. It guarantees he won't get a position in the administration.

A - Charles Munger {BIO 1406508 <GO>}

Yes. Well, that's one of the reasons I admire him, not that there's anything wrong with having a position in the administration, but I think people who kind of tell it the way they think it is, I like it. Yes. Well, that's one of the reasons I admire him, not that there's anything wrong with having a position in the administration, but I think people who kind of tell it the way they think it is, I like it.

A - Rebecca Quick {BIO 16400962 <GO>}

This question circles back to banking, which you touched on earlier, but Jerome Bernard from Switzerland writes, could you please explain why you decided to exit most of your bank stocks in 2020 except for Bank of America? And what's your view on the future of the banking industry?

A - Warren E. Buffett {BIO 1387055 <GO>}

I like banks, generally. I just didn't like the proportion we had in it compared to the possible risk at least, if we got bad results that so far we haven't gotten. We were over 10% of Bank of America. It's a real pain in the neck, both to the bank, more the banks than to us if we go over 10%. There's just a whole lot of -- and I like the Bank of America, and I like Brian Moynihan very much. And I like the banking business fine. So we took that up, but we took the overall bank position down. We didn't want to go above 10% in any of the others, and we did want to increase the BofA position, but we overall didn't want as much in banks as we had. We like the banking businesses way better than it was, in the United States 10 or 15 years ago. The banking business around the world, various places, is what might worry me, but our banks are in far, far better shape than 10 or 15 years ago. But when things froze for a short period of time, the biggest thing the banks had going for them is that the Federal Reserve was behind them. The Federal Reserve, they're not behind Berkshire. It's up to us to take care of ourselves.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Matt Y in Los Angeles. You recently purchased a large stake in Verizon for educational purposes. Could you please explain your thinking behind this investment? In general, many people see telecoms as dumb pipes that have to spend heavily on CapEx, building out the 5G infrastructure, only for the other tech companies to take advantage and capture most of the value created from the infrastructure, like Facebook, Uber, Airbnb and DoorDash?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, I think he's analyzed the situation well, but we are not in the business of explaining why we own the stock, which we either buy more of or sell or who knows what. So he's on his own, but he sounds like he's very capable of thinking it through very well himself.

A - Rebecca Quick {BIO 16400962 <GO>}

Slavin Vulcabras writes in, Senator Josh Hawley recently unveiled a new antitrust proposal that would ban mergers and acquisitions by firms with a market capitalization over $100 billion. While this legislation is unlikely to go through, increasing antitrust regulation could represent a material risk for Berkshire. Has Berkshire's board already discussed what would happen to the company over the long-term if Berkshire was to be prevented from acquiring controlled businesses?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, we don't discuss that as a specific, but the Board is very, very, very familiar with what Berkshire does, why they do it. How we think in deploying capital, but -- everybody knows that if you change the antitrust laws, it can change things for Berkshire. If you change the tax laws, it can change things for Berkshire. There's a lot of things and we could spend hours discussing them. But in the end, is it a 22.3% risk that something changes? It's a good way to fill the time at Board meetings and if you're getting $300,000 or $400,000 a year as a Board Director, you might want to spend your time doing that, but we really don't focus on that.

The main thing about Berkshire is how they preserve the culture, how they make sure that if you get the wrong person as the CEO, you can do something about it. That's the biggest risk a Board has, is if you pick the wrong CEO and I've been on 20 Boards, and this happened more than once. Sometimes it's a terrible problem to get rid of them. Years go by -- if a dissident comes in, it's one thing, but if you just sit there and you collect your $300,000 or $400,000 in a year, and the Chief Executive keeps proposing you'll get an increase from time-to-time. It's worse yet if he's a nice person doing his best. But we're not going to spend a lot of time, we may do it on a personal basis, we're not going to take a lot of people. We want them to know more about what's going on with BNSF and how Katie's doing, and whether the KCS thing can endures in a material way and so on. And we really don't, except maybe on a private side thing, we don't start talking about what the effects will be in 2050 as -- this projection or that projection is met. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Nothing to add.

A - Rebecca Quick {BIO 16400962 <GO>}

This question was sent in by Don Graham during the meeting, based on something you said earlier today, and he says, why does Warren say Berkshire's ability to ensure enormous risk quickly is a less valuable asset than it used to be?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, because the demand is less, basically on that. If you take a period like happened after 9-11, I remember, I may be wrong in the details, but Cafe Pacific, for example, they couldn't land in Hong Kong as I remember, unless they had an insurance policy by Monday of the following week. Well, we can do it. Ajit calls me up, and he thinks of a price and I think of a price, but we can do it. We can take the loss of it happens. They call us on the Sears tower, I think back then, after that, nobody knew -- they didn't know whether bombs might be placed all over. So, and they wanted more insurance all of a sudden and we gave him a price. So that thing -- that sort of an environment hasn't really persisted. There were times, I think, perhaps AIG, when Greenberg was there, he would do the same thing, but there weren't 10 or 20 people out -- and they needed big limits in some cases, and we were good for it. And they knew that if they bought the insurance and it had happened, we'd write a check and it would clear. Ajit, you might have something.

A - Ajit Jain {BIO 3192279 <GO>}

Yeah. In addition to the demand side, the supply side has become a lot more competitive as well. A lot of people who can put a big limits, not as much as we do, but they can syndicate a program and put up $1 billion very easily. So, that competitive advantage we had, we still have, but it's no longer as big a deal as it used to be.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from a shareholder in Scotland who wants to know Warren, Charlie, and Greg's views on how Kraft Heinz has performed over the last 12 months compared to the disappointing performance pre-COVID. And what are your current and longer-term views on Kraft Heinz prospects?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, I think that Greg's on the Board, so I don't know that we're in a position to give advice on Kraft Heinz. We entered a -- in effect, a semi-formal partnership with 3G many years ago when it was just a Heinz deal and then went on to acquire Kraft with our partners and they've done more than they hold up their share of thing. We do what we said we do going in, which is to be a financial partner, and they're more of the operating partner, although we participate to a degree in any big decisions and they would listen to us. But we're not making any, in terms of Kraft Heinz stock, that's up to somebody else to evaluate.

A - Gregory E. Abel {BIO 1416724 <GO>}

Yeah. The only thing I would add, Warren is, I think we're very comfortable with the fact that they put a strong manager in place in Miguel and he's put a very good team in place at Kraft Heinz. So we're pleased with the leadership and management team in place. They're very focused on how they're executing as they've gone forward and rationalizing their capital structure and managing down their debt structure. So, very pleased with the path forward with the existing...

A - Warren E. Buffett {BIO 1387055 <GO>}

We feel better about the -- one of the, this a more general subject, but one of the subject I might write about in one of the future annual reports is the problems caused by the myths that people have about their own organization. And I've seen that so many times in various forms. And to some extent, the problem has become accentuated in the last 20 or 30 years, because the CEO often works with the investor relations and they say, well, we have to have constant contact with the analysts community. And of course, so they go on every couple of months and they repeat certain things about their Company, and it becomes part of, sort of the catechism. And nobody's going to go on two months after the CEO has said one thing and say, well, actually, that really isn't the way. They're not going to contradict themselves or change course.

So if you get these myths and they can occur in a lot of different ways. I can give a lot of examples, which I won't do. As I tell my friends in corporate America, really I'm not going to squeal on them, but there is a lot of mythology that gets handed down from one CEO to the next. Can the succeeding CEO say the guy that picked him was on the wrong course or he's been telling you something that isn't really quite true? He can't do it. And then he starts repeating it and it leads to enormous errors, but it's hard to tell the story without giving examples, that I don't like to give examples. So we'll see when I write about it sometime. Charlie, you probably got some thoughts. He's had a ringside seat at a lot of -- he's been on Boards that I haven't been on. And it doesn't just extend the business, it goes beyond that, in education and -- well a lot of areas.

A - Charles Munger {BIO 1406508 <GO>}

Well, what's really interesting is the way you prattle out all the time. You're pounding back in, even if it's wrong. And so one of my favorite remarks in the history of human remarks was by Sir Cedric Hardwicke, who is a great British actor. And he said, I have been a great actor for so long, that I no longer know what I truly think on any subject. And I think that happens to a lot of people and it happens to virtually every politician.

A - Warren E. Buffett {BIO 1387055 <GO>}

And it gets embedded in corporate (Multiple Speakers). And the trouble is now the CEO speak out so often, so if they've got some crazy thing that they're saying about their company, and they keep repeating it, the subordinates aren't going to contradict it, and Charlie, they just believe it after a while, and it's dangerous.

A - Charles Munger {BIO 1406508 <GO>}

Yeah. And of course the young people get these ideas after their liberal education. They think that God has given them direct insights. And they're just as crazy as the politicians.

A - Warren E. Buffett {BIO 1387055 <GO>}

Now, there's some old people that have it too.

A - Charles Munger {BIO 1406508 <GO>}

Yeah. Well, the old people are already crazy.

A - Warren E. Buffett {BIO 1387055 <GO>}

They're going to die sooner. So...

A - Charles Munger {BIO 1406508 <GO>}

We have our old insanities. The new insanities are the young yet.

A - Rebecca Quick {BIO 16400962 <GO>}

All right. This question comes from Bill Begley, who said, could you tell us what happened to the joint venture between Berkshire, JP Morgan and Amazon to investigate what could be done about the current state of medical healthcare in the United States? The only item I read was that it was disbanded. Do you have any lessons to be learned from your effort?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, we learned a lot about the difficulty of changing around an industry that 17% of GDP and we accomplished a lesser objective, which was probably more important to us even than either JP Morgan or to Amazon. Because we knew less about our own system than they did. They knew, they were more centralized operations. So we got some benefits in the sense that we looked at 60 or 70 different operations we had presently. And that's one case where a certain amount of centralization, at least in certain aspects of it can save real money. We found inefficiencies and like I say, we probably saved more than the other two partners because they knew their situation better. We found some dumb things we were doing. So we got our money's worth. But in terms of the big picture of changing something that so many people have a vested interest in doing, and there is one additional factor to it, which is really interesting. There is an ingenious aspect to it, and it goes back to a fellow named, which didn't have any direct connection, but Beardsley Ruml, and nobody's ever heard of Beardsley Ruml, Beardsley Ruml in 1941, came up with the idea of the withholding tax. So people, instead of April 15th having to write a check and thinking about how much they hated their politicians and hated the government and everything else, they actually looked at it as kind of a Christmas club and there were over payments and bottlenecks, they kind of check when the final payment came due.

So, when you aren't writing the check yourself, you may know that the health benefit from your Company is worth $10,000 a year to you, or $15,000. It may cost them that much, but it may cost the Company that much, but you don't see it. So the Company pays it. And most of the people in that waiting room sitting next to me when they are not sitting there thinking about whether I can afford to do this or what's this going to do, they're generally under some kind of a plan. Not always, obviously, but they don't think that if the company wasn't paying them that they could pay them that in additional compensation. But of course, the weird system is the company gets a deduction if they pay it, but if you pay it yourself on a policy, I don't believe you get a deduction. So it's something that most of the people are not seeing as a cost to them. And they like that pretty well.

A - Charles Munger {BIO 1406508 <GO>}

No kidding.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah. Well, but that's true. The federal income tax, it was an act of genius from the standpoint of the government to go to a withholding system. And if you didn't, just think of how many people on April 15th would have to sit down and write a pretty good sized check and they'd be mad. They wouldn't like it and they don't feel it now. So that's an obvious point, but you also -- people like their doctor in general. And they don't like the fact that it's 17% of GDP, but one is just kind of a amorphous sort of thing. And the other is very, very real to them. And the most prestigious people in the community are on the hospital boards and a lot of people are fairly happy with the system. So, we did not make end roads on that. And we are paying 17% of GDP for healthcare. And no major country is more than 11%. And in the pandemic, we've had a death rate or a death total as the percentage of population, that's way higher than the rest of the world, not every single country, but way higher. So, we've laid out more money and gotten a poor result in terms of this particular pandemic in terms of deaths per capita. Now that may not turn out to be the...

A - Charles Munger {BIO 1406508 <GO>}

Oh, Warren, even though you shot and missed, you are at least shooting at an elephant. The cost of healthcare in Singapore is 20% of what it is the United States and their medical system works better. So you were shooting at a huge elephant, but as you found out, it's very hard to people get very enthusiastic about losing part of their income.

A - Warren E. Buffett {BIO 1387055 <GO>}

No. I said, we were fighting a tapeworm.

A - Charles Munger {BIO 1406508 <GO>}

Yeah.

A - Warren E. Buffett {BIO 1387055 <GO>}

And the economy and the tapeworm won.

A - Charles Munger {BIO 1406508 <GO>}

Yeah. The tapeworm won. Wonderful phrase. The tapeworm -- I'll have to copy that.

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, it wasn't the phrase we were looking for.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes in from Mark Blakely in Tulsa. This is for Warren and Charlie. When we discuss Berkshire, we often focus on the insurance operations and the largest non-insurance businesses, the Redwoods, as you mentioned in 2019. However, Berkshire owns a large number of subsidiary businesses, most of which are never mentioned. Is there a point at which Berkshire becomes too large to manage? And should we have any concern over the lack of information for most of Berkshire's companies? Is there a time that could come when Berkshire is too large and complex?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, it's too large to do certain things, that's for sure. We can't spend our time looking for $100 million acquisitions. But we have a wonderful company in Fort Worth and we had a marvelous man running it and he died recently, but he ran it. He sold it to me 15 years ago and he just basically ran it. And I couldn't find my way to the company. We've got this terrific company that makes recreational vehicles, the Elkhart based in Indiana. And we bought it 15 years ago. I've never been there. Maybe there's some guy in a closet just making up numbers to send to me every month. But I feel I understand the business pretty well. I remember seeing it and the fellow that runs it likes running it. And he likes me keeping my nose out of it and he'll let Greg in a little more than he'll let me, but we've got a system that will work with wonderful businesses and wonderful managers.

And it's up to us to find them, but it's also up to us to nurture them when we find them. And if you'll get somebody like Paul Andrews who ran TTI and who built it from nothing, absolutely nothing, nobody ever heard of him, the earnings have octupled during the period that he ran it for us. And he was happy. Employees were happy. He was a wonderful man. We were happy. And I would call him at the end of the year and I'd say, "Paul, this place is -- you're shooting the lights out on everything, you should take a raise." And he said -- or bonus, he'd say, "Well, we'll talk about that next year, Warren." He just loved, he loved the business. I love Berkshire. He loved the business. And I wasn't going to add anything by having him fill out a bunch of reports about how much he's using in the way of carbon.

It's ridiculous to think of a guy like Paul Andrews behaving in an antisocial manner or anything of the sort. And we'd love to have more of those. Obviously we got bigger, they get harder to buy, but we've got a number in the place. And I don't think we bought our last one over time, but I certainly don't see anything in the near future at all, but we're intensifying our interest a little bit in the ones we have by repurchasing shares. So our shareholders own more of those companies every year while we're assuming we're repurchasing shares, which is price sensitive. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Yeah. I don't think we're getting too big to manage because we're different from practically every other big corporation in the United States, in that we are so excessively decentralized. We have decentralized so much and we have so much authority in the subsidiaries that we can keep doing it for a long, long time, as long as it keeps working. And I would say so far, that our decentralization has caused more benefits than defects, but nobody seems to copy us.

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, that's absolutely true. But I would say this, decentralization won't work unless you have the right kind of culture accompanying it.

A - Charles Munger {BIO 1406508 <GO>}

Yeah. But we do.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah, we do but (Multiple Speakers)

A - Charles Munger {BIO 1406508 <GO>}

And Greg will keep the culture.

A - Warren E. Buffett {BIO 1387055 <GO>}

If we had a culture of people who were trying to make a lot of money for themselves in the next five years at the top, it would not have worked.

A - Charles Munger {BIO 1406508 <GO>}

No, of course not. And the culture is part of it, but assuming we keep the culture, it can go on quite a ways.

A - Warren E. Buffett {BIO 1387055 <GO>}

For a long, long time.

A - Charles Munger {BIO 1406508 <GO>}

Long, long time. I think it may amaze everybody. And by the way, the Roman Empire worked as long as it did because it was so de-centralized.

A - Warren E. Buffett {BIO 1387055 <GO>}

As Charlie says to me, you won't know.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Kevin Young, it's for Ajit and Greg. Warren spends his days reading and his literature of choice is annual reports. How do each of you spend your days? What do you read and how do you review investment decisions?

A - Ajit Jain {BIO 3192279 <GO>}

Well, in my job, I spend a lot of my time reading deals that brokers and people send us, reading what they're proposing, trying to analyze them, having a point of view, whether it is something that is of interest to us or not. I might add, I do not spend a lot of time reading annual reports because I'm not in the stock picking business per se, but in terms of keeping track of what's going on in the insurance business, that's what 90% of my reading is all about. Greg.

A - Gregory E. Abel {BIO 1416724 <GO>}

Yeah. So generally in a day, what I'm going to focus on when I'm reading is really around our businesses, what industries they are in, I'm trying to understand what our competitors are doing, what's the fundamental risks around those businesses, how they're going to get disrupted. And then it always comes back to are we allocating our capital properly in those businesses relative to the risks we're seeing both in our business and in the industry. So a lot of time spent on that as that knowledge is built, it's sharing it back and forth with our management teams of those relevant subsidiaries and sort of fine tuning it, is really the approach.

A - Warren E. Buffett {BIO 1387055 <GO>}

Both of these fellows can absorb information to an extraordinary degree. For one thing, they're terribly interested in it. And it's there's. So I'm amazed at both of them, the degree which they just sort of know everything. But they enjoy it. They're not thinking about whether they'll get the next job that opens up at some huge place or anything like that. Nobody leaves us, basically. The ones we want. But you really got to kind of be in love with your business. And that makes a huge difference. And that means that we've got to have the conditions that allow that love to flourish and it wouldn't flourish under many -- with many organizations.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Robert Miles in Nebraska. The trading apps, what do you think about Robinhood and other trading apps or FinTech companies enabling all ages and experience to participate in the stock market?

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, I'm looking forward to reading the S1 on that, Robin, that's a big thing you file with the SEC when you are going to be offering securities. And it's become a very significant part of the casino aspect, of the casino group that has joined into the stock market in the last year, year and a half. And I do want to say, I'm concerned about how they handle the source of income when they say that they don't charge the customer anything. It'll just be interesting to watch how they describe it. But they have attracted, maybe set out to attract, but they have attracted, I think I read where 12% or 13% of their casino participants were dealing in puts and calls. I looked up on Apple, the number of seven day calls and 14 day calls outstanding. I'm sure a lot of that is coming through Robinhood and that's a bunch of people writing -- they're gambling on the price of Apple over the next seven days or 14 days. There's nothing illegal about it. There's nothing immoral.

But I don't think you would build a society around people doing it. If a group of us landed on a desert island, we knew that we'd never be rescued. And I was one of the group and I said, "Well, I'll set up the exchange over and I'll trade our corn futures and everything around it." I think the degree to which a very rich society can reward people who know how to take advantage essentially of the gambling instincts of, not only American public, worldwide public, it's not the most admirable part of the accomplishment. But I think what America has accomplished is pretty admirable overall. And I think actually, American corporations have turned out to be a wonderful place for people to put their money and save, but they also make terrific gambling chips.

And, if you cater to those gambling chips, when people have money in their pocket for the first time and you tell them they can make 30 or 40 or 50 trades a day and you're not charging them any commission, but you're selling their order flow or whatever, I hope we don't have more of it. I'll put it that way. And I will be interested in reading their perspectives. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, that is really waving the red flag at the bull. I think it's just God awful that something like that would draw investment from civilized men and decent citizens. It's deeply wrong. We don't want to make our money selling things that are bad for people.

A - Warren E. Buffett {BIO 1387055 <GO>}

But we've got the states doing it with the lottery.

A - Charles Munger {BIO 1406508 <GO>}

No, but that's bad too.

A - Warren E. Buffett {BIO 1387055 <GO>}

I understand but (Multiple Speakers)

A - Charles Munger {BIO 1406508 <GO>}

That's very bad. That's one of the things that's wrong with it. It's getting respectable to do these things. The states are just as bad as Robinhood.

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, in a sense they're worse. They're really taxing (Multiple Speakers)

A - Charles Munger {BIO 1406508 <GO>}

I know.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yes, they're taxing hope.

A - Charles Munger {BIO 1406508 <GO>}

Not only that...

A - Warren E. Buffett {BIO 1387055 <GO>}

And they don't get much in the way of taxes from me or Charlie (Multiple Speakers)

A - Charles Munger {BIO 1406508 <GO>}

The states in America, replaced the mafia as the proprietor of the numbers game. That's what happened.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah.

A - Charles Munger {BIO 1406508 <GO>}

They pushed the mafia aside and said, "That's our business, not yours." Doesn't make me proud of my government.

A - Warren E. Buffett {BIO 1387055 <GO>}

When I was a kid, my dad was in Congress, they had a numbers runner in the house office building, actually.

A - Rebecca Quick {BIO 16400962 <GO>}

I will ask this question from Chris Freed from Philadelphia, and whoever wants to take this onstage, "From raw material purchases by Berkshire subsidiaries, are you seeing signs of inflation beginning to increase?"

A - Warren E. Buffett {BIO 1387055 <GO>}

Let me answer that and Greg can give me. We're seeing very substantial inflation. It's very interesting. We're raising prices. People are raising prices to us and it's being accepted.

Take home building. The cost of -- we've got nine home builders in addition to our manufactured housing operation, which is the largest in the country. So we really do a lot of housing. The costs are just up, up, up. Steel costs, just every day they're going up. And there hasn't yet been because the wage stuff follows. The UAW writes a three-year contract. We got a three-year contract. But if you're buying steel at General motors or someplace, you're paying more every day.

So it's an economy really, it's red hot. And we weren't expecting it. I mean, all our companies, they thought when they were allowed to go back to work for various operations, we closed the furniture stores. I mentioned, they were closed for six weeks or so on average and they didn't know what was going to happen when they opened up. They can't stop people from buying things and we can't deliver them. And they said, "Well, that's okay, because nobody else can deliver them either and we'll wait for three months or something." So start with the backlog grows and then we thought it would end when the $600 payments ended, I think, around August of last year. They just kept going and it keeps going and it keeps going and it keeps going. I get the figures every week, I call or (inaudible) calls me, and we go over day by day what happened at three different stores in Chicago and Kansas City and Dallas. And it just won't stop. People have money in their pocket and they pay the higher prices. When carpet prices go up in a month or two, they announced a price increase for April where costs are going up. Supply chains all screwed up for all kinds of people, but it's almost a buying frenzy, except certain areas you can't buy it. You really can't buy international air travel.

So the money is being diverted from a piece of the economy into the rest. And everybody's got more cash in their pocket, except for meanwhile, it's a terrible situation for a percentage of the people. This suit, I haven't worn a suit for a year practically and that means that the dry cleaner just went out of business. I mean, nobody's bringing in suits to get dry cleaned and nobody's bringing in white shirts. A place where my wife goes -- the small business person, if you didn't have takeout and delivery services for restaurants, you got killed. On the other hand, if you've got take out facilities, same source sales, Dairy Queen are up a whole lot and they adapted. But it is not a price sensitive economy right now in the least. And I don't know exactly how one shows up in different price indices, but there's more inflation going on -- quite a bit more inflation going on that people would have anticipated just six months ago or thereabouts.

A - Charles Munger {BIO 1406508 <GO>}

Yeah. And there's one very intelligent man who thinks it's dangerous and that's just the start.

A - Warren E. Buffett {BIO 1387055 <GO>}

Greg, you probably are in a good position to comment.

A - Gregory E. Abel {BIO 1416724 <GO>}

Yeah. Warren, I think you touched on it, when we look at steel prices, timber prices, any petroleum input, fundamentally there's pressure on those raw materials. I do think something you've touched on, Warren, and it goes really back to the raw materials.

There's a scarcity of product right now of certain raw materials. It's impacting price and the ability to deliver the end product. But that scarcity factor is also real out there right now as our businesses address that challenge. And it may be some of that's contributed or arisen from the storm we previously discussed in Texas. When you take down that many petrochemical plants in one state that the rest of the country is very dependent upon it, we're seeing it flow through, both on price, but overall in scarcity of product, which obviously go together. But there's challenges, that's for sure.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from BJ Coralla. What do you think of quants? Jim Simons Medallion Fund has done 39% net of fees for three decades, which proves that it works. Will you consider hiring a Quant Lieutenant in Berkshire to work alongside with Ted or Todd.

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, I'll say no to the second part and I'll let Charlie handle the first part.

A - Charles Munger {BIO 1406508 <GO>}

Well, that's rather interesting. The quant fund did fabulously on the short term trading. They found little algorithms that worked to make them add predictive value. And as long as they kept working, just kept doing it, as long as the money kept coming in. When they got to using the same system, just to finding some little algorithm and trying to do it mechanically for long term stock predictions, the record was not nearly as good. And in the short term stuff, they found that they tried to do it too much, they destroyed their own advantage. So there was a limit on the amount they could make.

A - Warren E. Buffett {BIO 1387055 <GO>}

But they were very, very smart.

A - Charles Munger {BIO 1406508 <GO>}

Yes, they got very rich.

A - Warren E. Buffett {BIO 1387055 <GO>}

And very, very smart.

A - Charles Munger {BIO 1406508 <GO>}

Very smart and very rich, yes. And very high grade, by the way.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah.

A - Charles Munger {BIO 1406508 <GO>}

Jim Simons.

A - Warren E. Buffett {BIO 1387055 <GO>}

But we're not trying to make money trading stocks. The answer, we don't think we know how to do it. If we knew how to make a lot more money trading stocks, we'd probably be trading stocks too, but we don't know how to do it and we really don't trust anybody else to do it for us. That simple.

A - Rebecca Quick {BIO 16400962 <GO>}

This question comes from Richard Warner. Mr. Buffett has espoused for decades the philosophy of buy and hold or hold forever was too short of a time period. Is it a misperception on my part or has his philosophy changed? It seems to be a much greater turnover in the equity portfolio lately.

A - Warren E. Buffett {BIO 1387055 <GO>}

I don't think there's that much turnover.

A - Charles Munger {BIO 1406508 <GO>}

But there's too much.

A - Warren E. Buffett {BIO 1387055 <GO>}

What?

A - Charles Munger {BIO 1406508 <GO>}

There's way too much.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah.

A - Charles Munger {BIO 1406508 <GO>}

It's still too much. It's the same amount.

A - Warren E. Buffett {BIO 1387055 <GO>}

Yeah, I'd agree with that. And the truth is our we own our businesses as our equities, so we own $400 billion or $500 billion, maybe more. In businesses, we don't turn them over at all. We don't resell businesses. Well, we won't even get into that, what we could do, but we don't do it. And we do relatively little, but as Charlie says we'd do better if I had done less.

A - Rebecca Quick {BIO 16400962 <GO>}

This is from Daniel Gaultier. "Warren Buffett's 2013 letter, in the middle of page 21, made a prediction that in the next decade you'll see lots of really bad news about pensions. Given recent events like COVID-19 and that 2023 is two years away, would Mr. Buffett like to comment or revise his 2013 prediction? Did COVID-19 delay, accelerate, eliminate, or not change it?"

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, in a very limited, I mean, in a terrible way, COVID improves the pension position. You have less pensioners. But the pension situation is terrible in a great many states. It's not so bad at the corporate level, and there's some multi-employer plans, obviously, that have got problems. But basically, it's a terrible problem for the states in, of course, some states. And states are going to go to Washington now and say, "We all want to get a lot of money because we had these terrible things happen to us during the pandemic," which they did. But some of those states have enormous pension deficits and they'll come again. If they get a check once and make sure not to be a federal obligation de facto or something than a state's situation, it has not gotten better. It has not gotten better at all, obviously. And to a certain extent, the pension managers get more and more desperate as interest rates go down. So they'll listen to almost anybody that promises them. They've always had that tendency anyway, but they'll listen to people that promise them that they're going to one way or another solve their problem for them, and that isn't going to work.

So it's a big, big, big problem. And, of course, the real problem is, let's just take a hypothetical state that has a huge pension deficit. And maybe even has a cost of living factor in it which is really going to be a killer. And you can move if you're an individual. Charlie won't move to save that $500 million. He was not going to move to Nevada or someplace. But you can move if you're an individual to some degree, particularly if you're rich and old and retired and you can actually take away an asset from that kind of environment and give it to another state that doesn't really need it as much.

So you'll get adverse selection over time. But if you're a company and you put a plant there, you can't move the plant in five or 10 or 20 years. So as the taxable base of individuals falls down simply because people select out of being a part of the population, you can't select out very well as a corporation. So you have to be very careful and think a long time before you go into some state with a huge pension deficit and a declining population because you're going to be the last man left and the pensions won't go away. And I don't think -- well, anybody with a short-term outlook doesn't worry about that. I mean, just get me past the next election, and I'm all right on that one. We're not going to say our plant's is going to be around for 50 years in some place where the population gets halved and the richer part gets cut dramatically, even more dramatically, and we still got a valuable plant there and we've got to keep operating. And one way or another, it's not going to be a good place to be.

A - Rebecca Quick {BIO 16400962 <GO>}

And we're almost out of time so I'll make this the last question.

A - Charles Munger {BIO 1406508 <GO>}

That's a good answer. It reminds me of my old Harvard law professor. He used to say, "Let me know what your problem is and I'll try and make it more difficult for you."

A - Rebecca Quick {BIO 16400962 <GO>}

So this one comes from Jan Michael Atlinger. It's for Warren and Charlie. "I have one question which is inspired by Charlie's mantra, you have to be a continuous learning machine. So here's my question. What's the biggest lesson both of you learned during the last year?"

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, my biggest lesson has been to listen more to Charlie. He's been right on some things that I've been wrong on.

A - Charles Munger {BIO 1406508 <GO>}

Well, I don't know. If you're not a little confused by what's going on, you don't understand it. We're in sort of uncharted territory.

A - Warren E. Buffett {BIO 1387055 <GO>}

We enjoy, in a crazy way, actually seeing what happens. I mean, this has made us halfway through the movie much more interested in watching even more. This is an unusual movie. But our basic principles, we start with the fact, we don't want to disappoint the people who left their money with us and things flow out of that. And we may disappoint people that don't make quite as much money. And we've seen some strange things happen in the world in the last year and 15 months and we've always recognized the fact that stranger things are going to happen in the future. And I would say, if anything, it's reinforced, our desire to figure out everything possible we can do to make sure that Berkshire is 50 or 100 years from now every bit the organization and then some that it is now. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, of course, that's the idea. I think it's pretty likely to work.

A - Warren E. Buffett {BIO 1387055 <GO>}

Well, we wouldn't have spent 55 years at it unless we did.

A - Charles Munger {BIO 1406508 <GO>}

Yeah.

A - Warren E. Buffett {BIO 1387055 <GO>}

And Becky, is that the last question?

A - Rebecca Quick {BIO 16400962 <GO>}

That's the last question.

A - Warren E. Buffett {BIO 1387055 <GO>}

Okay, well, in that case, we'll move on to the meeting. The other three fellows here can leave. It's not going to be that exciting. But we've got a script here even, somewhat. I don't like scripts. It's not my nature. And one of the proposers for the two items on the proxy is here in the building to present his argument personally and the other one has recorded it. So we'll get to that in just a minute. But we offered both of them -- I mean, they either could record or comment, and I'm happy one of them came. So, here we go and the meeting will now come to order.

I am Warren Buffett, not that you didn't know by this time, Chairman of the Board of Directors of the Company. I welcome you to the 2021 Annual Meeting of Shareholders. Marc Hamburg is Secretary of Berkshire Hathaway. He will make a written record of the proceedings. Rebecca Amick has been appointed Inspector of Elections at this meeting. She will certify the count of votes cast in the election of our directors and the motions to be voted upon at this meeting. The named proxy holders for this meeting are Walter Scott and Marc Hamburg. Does the Secretary have a report of the number of Berkshire shares outstanding entitled to vote and represented at the meeting?

A - Marc D. Hamburg {BIO 1406528 <GO>}

Yes, I do. As indicated in the proxy statement that accompanied the notice of this meeting that was sent to all shareholders of record on March 3, 2021, the record day for this meeting, there were 639,747 shares of Class A Berkshire Hathaway common stock outstanding with each entitled to one vote on motions considered at the meeting and 1,335,074,355 shares of Class B Berkshire Hathaway common stock outstanding, with each share entitled to one ten-thousandth of one vote on motions considered at the meeting. Of that number, 456,040 Class A shares and 663,442,069 Class B shares are represented at this meeting by proxy's return through Thursday evening, April 29.

A - Warren E. Buffett {BIO 1387055 <GO>}

Thank you. That number represents a quorum and we will therefore directly proceed with the meeting. The first order of business will be a reading of the minutes of the last meeting of shareholders. I recognize Ms. Debbie Bosanek, who will place a motion before the meeting.

A - Debbie Bosanek {BIO 1703711 <GO>}

I move that the reading of the minutes of the last meeting of shareholders be dispensed with and the minutes be approved.

A - Warren E. Buffett {BIO 1387055 <GO>}

Do I hear a second?

A - Debbie Bosanek {BIO 1703711 <GO>}

I second the motion.

A - Warren E. Buffett {BIO 1387055 <GO>}

Motion is carried. Next item of business is to elect directors. I recognize Ms. Debbie Bosanek to place a motion before the meeting with respect to election of directors.

A - Debbie Bosanek {BIO 1703711 <GO>}

I move that Warren Buffett, Charles Munger, Gregory Abel, Howard Buffett, Steven Burke, Kenneth Chenault, Susan Decker, David Gottesman, Charlotte Guyman, Ajit Jain, Thomas Murphy, Ronald Olson, Walter Scott, and Meryl Witmer be elected as directors. I second the motion.

A - Warren E. Buffett {BIO 1387055 <GO>}

It has been moved and seconded that the 14 individuals named in Ms. Bosanek's motion be elected as directors. The nominations are ready to be acted upon. Mr. Hamburg, when you are ready, you may provide the voting results from Ms. Amick's preliminary report.

A - Marc D. Hamburg {BIO 1406528 <GO>}

Ms. Amick has reported that the ballot of the proxy holders in response to proxies that were received through last Thursday evening cast not less than 473,474 votes for each nominee. Ms. Amick's report also states that this number exceeds a majority of the number of the total votes of all Class A and Class B shares outstanding. The report also states that the certification required by Delaware law of the precise count of the votes will be placed with the minutes of this meeting.

A - Warren E. Buffett {BIO 1387055 <GO>}

Thank you, Mr. Hamburg. The 14 nominees have been elected as directors. The next two items of business relate to two shareholder proposals that are each set forth in the proxy statement that can be accessed at berkshirehathaway.com. If you haven't read those proposals, just go to berkshirehathaway.com, because they're interesting proposals and the proponents' views are set forth well there and I think our views are set forth and I welcome you reading it.

To get back to the script, the first proposal requested the company publish an annual assessment, addressing how the company manages physical and transitional climate related risks and opportunities. The directors are recommending that the shareholders voted against the proposal. I will now recognize Tim Youmans, a representative of Federated Hermes to present the proposal. I think we're connected up with Mr. Youmans.

A - Tim Youmans

I thank the Chair. I thank the Chair of the Board and fellow shareholders. I'm Tim Youmans, Lead North America EOS at Federated Hermes. Here today on behalf of item two co-sponsors Federated Hermes, CalPERS, the California Public Employees Retirement System; and CDPQ, Caisse de depot et placement du Quebec; and our combined millions of ultimate beneficiaries.

For well more than a year, the parent company has been unresponsive to this co-sponsor's requests to discuss the parent company's lack of climate related financial disclosures. In order to have some kind of dialogue with the parent company, we have co-filed a proposal that Berkshire Hathaway's board issue a report annually assessing how the company manages physical and transitional climate related risks and opportunities, including climate related financial reporting, rare material for subsidiaries and for the parent company, how the board oversees climate related risks for the combined enterprise and the feasibility of the parent company and its subsidiaries establishing science-based greenhouse gas reduction targets consistent with limiting climate change to well below two degrees.

We ask that the annual assessment follows the recommendations of the Task Force on Climate Related Financial Disclosures, TCFD. The Board argues that since it manages its operating businesses on an unusually decentralized basis and there are few centralized or integrated business functions, the board believes that the shareholder proposal is inconsistent with Berkshire's culture.

The co-sponsors note, despite Berkshire's culture and decentralized management, shareholders can only purchase shares in the combined parent company entity. Shares cannot be purchased in the individual subsidiaries that may or may not have the climate disclosures that the board cites in its opposition statement. The company has more than $100 billion in cash equivalents. The co-sponsors and many in the $54 trillion Climate Action 100 Plus Investor Coalition want the parent company to put more resources into sustainability and in mitigating the financial impact of climate change and the energy transition.

The Company sustainability website consists only of links to 15 subsidiaries. We note the parent company has 60 subsidiaries. This is insufficient disclosure to shareholders who think that sustainability risks, especially climate risks, may be material to the parent company's long term future prospects, of course, recognizing the Company's strong past financial performance. No doubt climate change and the energy transition to a low carbon economy posts a systemic risk to the economy. The Company's auditor, Deloitte, says on its website, Climate change is not a choice. It's billions of them. We are all compelled to act. Deloitte does not assess climate change related financial impacts in the Company's audit. When asked by the co-sponsors why climate change impacts are excluded from audits like Berkshire's, Deloitte failed to provide any meaningful reply.

In his new book, former Berkshire Director, Bill Gates says, "Companies accepting more risk is needed to avoid climate disaster and shareholders and board members will have to be more willing to share in this risk, making it clear to executives that they'll back smart investments even if they don't ultimately pan out." This is the Gates position and the Chair is one of three Gates Foundation trustees.

We asked the board to take the cultural risk for a modest degree of centralization needed to issue the annual climate related financial assessment. We all need to take action now to limit climate change impact on our long-term sustainability. We strongly urge Berkshire Hathaway shareholders to support item two as climate risk may be material to the parent company. And we have a question for the Chair. Will you please change your mind and vote your personal shares in support of item two? Thank you.

A - Warren E. Buffett {BIO 1387055 <GO>}

Thank you, Mr. Youmans. The proposal is now ready to be acted upon. Mr. Hamburg, when you're ready, you may provide the voting results disclosed in Ms. Amick's Preliminary Report.

A - Marc D. Hamburg {BIO 1406528 <GO>}

Ms. Amick's report states that the ballot of the proxyholders in response to proxies that were received through last Thursday evening cast 131,376 votes for the motion and 385,336 votes against the motion. As the number of votes against the motion exceeds a majority of the number of votes of all Class A and Class B shares properly cast on the matter, the motion has failed. The certification required by Delaware law of the precise count of the votes will be placed with the minutes of this meeting.

A - Warren E. Buffett {BIO 1387055 <GO>}

Thank you, Mr. Hamburg. The proposal fails. The second shareholder proposal requests that Berkshire Hathaway companies annually publish reports assessing their diversity and inclusion efforts. The directors have recommended that the shareholder vote against the proposal. I will now ask that the audio tape provided by Meredith Benton, a representative of As You Sow, be played to present the proposal.

A - Meredith Benton

Hello, I am Meredith Benton. I am speaking on behalf of the non-profit advocacy organization, As You Sow. And I'm also the CEO of the consultancy Whistle Stop Capital. I formally move proposal number three, asking for Berkshire Hathaway to report on how it assesses diversity, equity and inclusion efforts, including the process that the board follows for determining the effectiveness of its diversity and inclusion programs and how it assesses goals, metrics, and trends related to recruitment, promotion and retention.

What would it mean if the majority of Berkshire's operating units weren't managing their diversity programs? It would mean that Berkshire companies are missing out on the benefits that an inclusive workplace culture can provide, such as, according to the studies, access to top talent, to good people, better understanding of consumer preferences, a stronger mix of leadership skills, inform strategy discussions and improved risk management. Best practices in diversity and inclusion reporting exist and are increasingly standardized across companies. Berkshire companies can publish their workforce composition through their consolidated EE-01 Form. This form is already submitted to the Equal Employment Opportunity Commission, so it requires no additional effort on behalf of the companies to collect or reconcile. It is a universally disliked form, but it is standardized and companies will often publish their EE-01 along with an explanation of their own internal structures and ways. 72 of the S&P 100 companies publicly share or have committed to share this form. To my knowledge, no Berkshire company currently does. Not one.

The release of workforce composition data is akin to a balance sheet, detailing diversity at a single point in time. Just as a balance sheet would by itself be insufficient to identify the strength of a company's financials, so to the EE-01 by itself is insufficient in assessing the effectiveness of DEI programs. The company's inclusion data, the hiring, retention and promotion rates of diverse employees must also be shared. Investors need to have a full understanding of the actual experience of Berkshire employees. In theory, companies should want to share their retention data. If it's a good company to work for, people want to stay. They should want to share their promotion data, in theory. If it's a company that hires good people and treats them well, those good people will ascend with mentorship and time. 70% of the S&P 500 currently share diversity and inclusion data at some level, 70%. Only 22% of Berkshire companies do at any level. And only four Berkshire companies speak to workplace equity with any meaningful depth. Berkshire is as a serious outlier here.

Berkshire is famously decentralized. Its units operate independently. Yet, if an issue isn't conveyed as important from headquarters, can we expect it to be prioritized by an operating unit? Here's the thing, Mr. Buffett, Mr. Munger, board members, and the team at headquarters, you may each individually, truly and genuinely hire, mentor and promote the best people for the job regardless of their gender, race, ethnicity, sexual orientation or any immutable characteristic. But we can't conclude that this is the mindset of each of your employees, managers and hiring directors. Berkshire headquarters can't sit passively and hope that their independent units are addressing bias and discrimination in their workplace. Active management and proactive attention is needed.

In its statement in opposition to the proposal, the board said, Mr. Buffett, Berkshire's Chairman and CEO, has set the tone at the top for Berkshire and its employees for over 50 years. It also states, Mr. Buffett has a record of opposing efforts seen or unseen to suppress diversity or religious inclusion. Mr. Buffett holds extraordinary influence over his own companies and over the broader business community. He opposes efforts to suppress diversity. Given that, we ask for him to step forward decisively in his own inimitable words, in his own inimitable way to detail how important diversity and inclusion is to his companies, the expectations he has, and the efforts he expects to see the metrics that will be used to judge success. Actions speak louder than words, but silence here speaks volumes.

Thank you.

A - Warren E. Buffett {BIO 1387055 <GO>}

Thank you. The proposal is now ready to be acted upon. Mr. Hamburg, when you are ready, you may provide the voting results disclosed at Ms. Amick's Preliminary Report.

A - Marc D. Hamburg {BIO 1406528 <GO>}

Ms. Amick's reports states that the ballot of the proxyholders in response to proxies that were received through last Thursday evening cast 124,842 votes for the motion and 391,662 votes against the motion. As the number of votes against the motion exceeds a majority of the number of votes of all Class A and Class B shares properly cast on the matter, the motion has failed. The certification required by Delaware law of the precise count of the votes will be placed with the minutes of this meeting.

A - Warren E. Buffett {BIO 1387055 <GO>}

Thank you, Mr. Hamburg. The proposal fails.

A - Debbie Bosanek {BIO 1703711 <GO>}

I move.

A - Warren E. Buffett {BIO 1387055 <GO>}

Ms. Bosanek, yes.

A - Debbie Bosanek {BIO 1703711 <GO>}

I move that this meeting be adjourned.

A - Rebecca Quick {BIO 16400962 <GO>}

I second the motion to adjourn.

A - Warren E. Buffett {BIO 1387055 <GO>}

Motion to adjourn has been made and seconded. This meeting is adjourned, and I would just like to add one final comment that I really hope, and I think the odds are very, very good, that we get to hold this next year in Omaha, and I hope that we get a record turnout of Berkshire shareholders. And we really look forward to meeting you in Omaha. I guess it'll be next April 30, but we'll be sure of that date a little later. So thank you for watching, and we will see you in next year and hopefully in Omaha. Meeting's adjourned.

A - Andy Serwer {BIO 15136542 <GO>}

And that concludes the 2021 Berkshire Hathaway Annual Meeting to Shareholders. But stick around, there is a lot to talk about, a lot to go through with our panel here at Yahoo! Finance. Of course, Buffett and Munger, talking about all manner of subjects concerning Berkshire, how the company performed, the economy, railroads, tech stocks, Bitcoin, the whole gamut and the atmosphere here in the room, you guys, different from last year when there was absolutely no one in the cavernous CHI Center in Omaha. There are directors, you can hear them behind me talking right now, a good number of them turned out. So there was some reaction and response to the zingers that Buffett and particularly Charlie Munger delivered to the crowd. But still, not the same thing as the 40,000 people who attend each year. And you heard Buffett at the end there, just talking about how he hoped everyone would be back in Omaha next year. And, of course, he had the exact date right there, April 30, 2022.

So want to go around and get some reaction top line from the panel. Myles Udland, why don't we start with you? What was your big takeaway?

A - Myles Udland {BIO 20165611 <GO>}

Well, Andy, it's funny, every year you come out of this and you always think about tone and topics, and I was thinking about last year's meeting, and you wrote about it a little bit this morning on Yahoo! Finance, that was kind of the bottom of sorts. If you go through and you look at a bunch of national COVID statistics, if you think about where the economy was, where everyone's attitude was, the market, of course, we now know had bottomed about six weeks before that meeting, which I believe the exact date would have been May 2, but it was really the absolute trough, the nadir, if you will, of the COVID moment in the United States. And there have been many dark days since then, but now we are talking about more than 50% of the population with at least one shot of a vaccine, we are seeing things reopen. And to that end, the conversation this year was much more a classic Buffett conversation, if you will. I know we'll get to the history lesson we had at the beginning with the top 20 stocks now versus 30 years ago. Buffett talked about the economy, news of the day, but we had a little soliloquy at the beginning, as we did last year, but it almost felt last year, guys, like he was trying to pep up the country, pep up himself and try to not be so dour about everything.

But, Julia, it did feel like you could get Buffett trying to, I don't know, maybe sound more normal, if that's a way to say it. At a certain point all the years run together, but this one didn't feel maybe so sad as I think last year's felt.

A - Julia La Roche

Myles, I think you totally nailed it. I actually re-watched last year's meeting. At least the soliloquy, I re-watched that one this morning and it was quite dumped. Even though he had a lot of bullish undertones, I think that a lot of folks that this time last year were really looking to Warren Buffett because it was just such an unchartered territory that we as a globe had entered into, and including, remember, he didn't even have his hair cut last year like the rest of us. But yeah, I would also agree with you, I think when he brings up these points, a lot of things change, and he's referencing that in the beginning here, and we will get into that as you just mentioned. But even the world in the last year, talking about the rise of the retail investor, that theme kept on coming up toward the end, even bringing up Robinhood gambling, talking about the casino and warning about that. While American companies are a great place to put your money and invest and save, you also have to be very careful too. So those were my key takeaways here.

Akiko, what do you think?

A - Akiko Fujita {BIO 21777315 <GO>}

Yeah, Julia, I should point out this was my first year covering the event. It's interesting to see just how broad the questions were. Picking up on your point though, about what Warren Buffett said about the Robinhood trade. What stood out to me in these hours that he answered patiently all the questions was a bit of a divide that I saw between where the sentiment in the market is right now, where some of the excitement is versus where both Warren Buffett and Charlie Munger see the opportunities. When you talk about Bitcoin, for example, no surprise, a strong opinion there from Charlie Munger saying that, of course, he hates the Bitcoin success, and he thinks that modestly that the whole development is disgusting and contrary to the interests of civilization. Those were his words.

I also thought it was interesting, the comments on the climate issue. Of course, at the very end of this meeting, we did see that proposal voted down for increased disclosures on climate risks. But we also heard from Warren Buffett when he was asked about his most recent investment into Chevron, $4.1 billion, his position about how he felt about that in the discussion of building climate risks, investing in a fossil fuel company, and he really seemed to double down on that, saying that Chevron is not an evil company in the least. He says, I have no compunction about owning it in the least. In fact, he went further than that and said, If we own the entire business, I wouldn't feel uncomfortable. And that to me seems like a bit of a divide from where investor sentiment is right now, which is increased disclosures. And, of course, Andy, we've got the SEC weighing in on that. So not sure if, in the end, Berkshire is going to have their hand forced essentially because of regulation. I thought that was an interesting commentary too.

A - Andy Serwer {BIO 15136542 <GO>}

Okay. Thanks Akiko and Myles and Julia. We're going to take a quick break, but we'll be right back after that. Much more to discuss here from Los Angeles at the end of the Berkshire Hathaway Annual Meeting for Shareholders. Stay tuned. [Video Presentation]

A - Akiko Fujita {BIO 21777315 <GO>}

Welcome back to Yahoo! Finance. As we look back here on the last several hours with the Berkshire Hathaway Annual Shareholders Meeting, a number of things that were discussed here throughout the number of questions that popped up. Of course, Warren Buffett, as well as Charlie Munger weighing in on the broader macro picture. Take a listen to what he had to say.

A - Warren E. Buffett {BIO 1387055 <GO>}

This economy, right now, 85% of it is running in super high gear, and you're seeing some inflation and all that. It's responded in an incredible way, and we learned something out of 2008 and 2009, and then we applied it. But I don't think it was a sure thing that would happen.

A - Akiko Fujita {BIO 21777315 <GO>}

Let's bring in Whitney Tilson, Empire Financial Research Founder and CEO. Whitney, let me just first get your thoughts on what stood out to you in terms of what we heard from Warren Buffett and Charlie Munger today?

A - Whitney Tilson {BIO 5473807 <GO>}

Yeah. Well, this is my 23rd consecutive Berkshire meeting, 21 in person and the last two virtually. And the thing that really jumped out at me was, is they spent some time talking about the first risk factor in any prospectus, anyone buying a stock, should be bad management. That can really mess up a business. And then they lamented the difficulty of getting rid of an ineffective CEO. And it got back to the main thing I focus on when it comes to Berkshire, which isn't bad management, but aging management. And we've seen it over and over again where you get some legendary CEO in there and then he starts to lose his marbles due to old age, like we all do eventually.

And so the first thing I always look for at every annual meeting, anytime I see Buffett or Munger on television, is are they losing it? And what's remarkable is, is we just saw a 90-year-old man, backed up by a 97-year-old man, go for four consecutive hours without even a bathroom break, being asked dozens of questions that they have no advanced knowledge of. And I'm telling you, 23 years ago, my first annual meeting, they sounded the same today. So it's remarkable. I just Googled the average life expectancy of the average American man is 79 years old. And these guys are going strong at age 90 and 97. And they're getting asked the same questions and believe it or not, they're giving the same answers, but yeah, they're managing to mix it up. And there's always some new stuff thrown in there. So you really have to step back and sort of be in awe that these guys are still going strong at their respective ages.

A - Andy Serwer {BIO 15136542 <GO>}

Hey Whitney, what did you make of the questioning that went along the lines of you guys missed a huge opportunity last March? You didn't step up to the plate and you let us down as shareholders.

A - Whitney Tilson {BIO 5473807 <GO>}

Right. And in fact, sold the airlines, that was a $5 billion mistake, sold the banks, that was a $10 billion mistake. But here's the thing. I was emailing with one of my friends who was criticizing them for that. And he said, Buffett of 20 or 30 years ago wouldn't have made those mistakes. He would have played more offense. And I said, yeah, maybe true. But the Buffett of 20 or 30 years ago had an absolute rule of no tech stocks. So he wouldn't have owned Apple stock. And so, okay. I'm perfectly fine if Buffett makes a combined $15 billion mistake on the airlines and on the banks, but he's made over $100 billion in profits for Berkshire shareholders, just on Apple. I'll take that trade all day long.

A - Julia La Roche

Whitney, one of the hallmarks of the annual meeting, and of Warren and Charlie, is that they talk very openly and transparently about their mistakes. So a lot of folks are certainly learning from them. And one of the things that stood out to me and it did feel like a traditional meeting in a lot of ways, but really focusing on this rising retail investor class and sharing their lessons with them. What are your thoughts on that as someone who's been involved in financial education, when you hear them talk about the world changing, bringing up things from 30 years ago? And how those stocks, they're not even the ones that are well known today?

A - Whitney Tilson {BIO 5473807 <GO>}

Right. Well, look, one of the first meetings that I ever went to was 1999 and 2000, right at the peak of the Internet bubble when Buffett and Munger were being criticized for being out of touch, old fuddy duddies, and I was writing articles and shouting from the rooftops, no, these guys have not lost it, listen to Buffett and Munger. And I'm doing the same thing today. It's amazing how history repeats itself. I think they were mostly lamenting the fact that, particularly with they heaped scorn on the Robinhood app and the game effication of investing, and they just shook their heads, that retail investors -- Buffett went on a riff about buying or selling call and put options on Apple stock that expired in seven days. I mean, it was just pure speculation, pure gambling. And I don't know if they actually quite came out and said it, but I for sure heard it. They said, this is going to end badly. And a lot of innocent people who didn't experience the Internet bubble and the housing bubble bursting and all are going to get incinerated. But they make no prediction as to when that will happen.

A - Akiko Fujita {BIO 21777315 <GO>}

And Whitney, Apple, one of those names that came up in one question, where they asked specifically Warren Buffett, whether in fact it was a mistake to sell some shares last year, when we've seen that stock go up since then. Take a listen to what he had to say. And then I'm going to get your thoughts on the other end.

A - Warren E. Buffett {BIO 1387055 <GO>}

It's an extraordinary business, but I do want to emphasize that in his own way, it's a different way, but Tim Cook is -- we see a lot of managers of all our businesses, and you're looking at two great ones on the both ends here. He's handled that business so well, he couldn't do what Steve Jobs obviously could do in terms of creation, but Steve Jobs couldn't really, I don't think, do what Tim Cook has done in many respects.

A - Akiko Fujita {BIO 21777315 <GO>}

And Whitney, we heard Warren Buffett say that Apple has a product that is indispensable to people, sort of compared it to the cost of a car versus the cost of an iPhone, how much more we rely on Apple devices. What did you make of how he weighed in this openly saying, look, selling was probably a mistake?

A - Whitney Tilson {BIO 5473807 <GO>}

Well, look, I mean, any time you sell a stock, even a tiny fraction of your position and it subsequently goes up well, you sort of maybe wish you didn't sell it, even though that's prudent risk management. But let's keep in mind here is this, instead of bemoaning the fact that he sold, I don't know, maybe 5% of his Apple position, he held on to 95% and consequently reaped Berkshire shareholders that benefited to the tune of over $100 billion. And I speak from experience. I know that Apple will way back when, and it went up 90% or 20% and maybe it doubled and I sold it. So the fact that, particularly that Apple is not a typical investment for Buffett, it's a tech stock. After the first bubble, you'd think he would have sold it. And the fact that he just -- is what's extraordinary and we should be celebrating that, not criticizing that he sold a few shares.

A - Myles Udland {BIO 20165611 <GO>}

Yeah. I just want to jump in here guys and talk a little bit about some of the themes that Whitney's been hitting on. And going back to that first piece of sound we played, where Buffett was talking about the strength of the economy right now and that was framed out of a question on, did Berkshire miss an opportunity. I think the shareholders question was something, I'm investing with Berkshire, which has a hundred-some odd billion on the balance sheet. You didn't deploy that. Why am I sitting here investing with Berkshire? And Whitney, it made me -- okay, so this is your 23rd, this is my sixth meeting, but it made me think about the kinds of questions that they typically get every year, which are versions of why didn't you do thing X? Why didn't you do thing Y? And I brought it up earlier on in the program, we didn't have Warren Buffett sitting there with a history lesson about the US economy since World War II.

He wasn't defending the state of the American economy in the way that I think he's gotten used to or he's almost felt the need to. And I thought that was, just again, maybe refreshing is the word that came to my mind because it's the kind of stuff that comes up every annual meeting with a little bit of second guessing, a little bit of, Buffett doing his macro analysis. It wasn't quite the same thing as last year when everything, for obvious reasons, but everything was framed through the state of the pandemic. What's going to happen next? Warren, please tell us. And I think as he said -- what was that joke from the Nebraska Governor was like, I'm all right with that one. He didn't really have a comment on that last year and it was sort of the only thing anyone wanted to hear.

A - Whitney Tilson {BIO 5473807 <GO>}

Yeah. I would just say, I mean, this is the coronavirus pandemic, it's the third big bust in the 23 years I've been coming. There was the aftermath of the Internet bubble, the aftermath of the global financial crisis. Actually, it was remarkable how similar the tone was a year ago, reassuring people, never bet against America, we're going to come back. It was very similar to 2009, where the Berkshire meeting was just a month or two after the bottom, just like it was last year. It's very easy for we value investors. Probably the biggest mistake value investors make is that we're too bearish. And we're always seeing the next storm, and we're always getting too defensive in selling our winners too early and so forth. And Buffett, to his credit, has maintained for 50-plus years, a fundamental optimism about America and he tends to be more active and put more money to work when other investors are panicking. And I wish he'd done a little more of that a year ago. But generally speaking, that's quibbling around the edges. He has fundamentally been right for his entire career in being optimistic about America. And we heard it's pretty easy now to have that viewpoint, it was not easy a year ago, but he was.

A - Andy Serwer {BIO 15136542 <GO>}

All right. Again, more to talk about here, stay tuned. We're going to go to a break. This is the post game show of the 2021 Berkshire Hathaway Annual Meeting to Shareholders. Stay tuned.

[Video Presentation]

A - Akiko Fujita {BIO 21777315 <GO>}

Welcome back to Yahoo! Finance's live coverage of Berkshire Hathaway's Annual Shareholders meeting. A number of issues discussed today. But one of the interesting points here made by Warren Buffett today, sort of giving advice to those investors who are just kind of dipping their toes into the market. He made an interesting comparison between what he sees today versus what he saw back in 1989, take a listen to what he had to say.

A - Warren E. Buffett {BIO 1387055 <GO>}

1989 was not the dark ages, I mean, we weren't just discovering capitalism or anything else. And people thought they knew a lot about the stock market and the efficient market theory was in. And they were all -- it was not a backward time. And if you look, the top company at that time had a market value of $100 billion, $104 billion. So the largest Company in the world of title, in just a shade over 30 years, has gone from $100 billion to $2 trillion. At the bottom, the number 20 has gone from $34 billion to something a little over 10 times that. Well, that tells you something about what's happened with equality, which is a hot subject in this country. It tells you a little bit about inflation, but this was not a highly inflationary period as a whole. But it tells you that -- capitalism has worked incredibly well, especially for the capitalists.

A - Akiko Fujita {BIO 21777315 <GO>}

Yeah. That (Technical Difficulty) today saying, essentially, how many of those are going to be at the top of the list 30 years from now? And he said, essentially, look, we were sure, as sure of ourselves back in 1989 as we are today, but the world can change.

A - Myles Udland {BIO 20165611 <GO>}

Yeah. And an interesting takeaway as well, and Buffett did the exercise of looking at the market caps in 1989 and 2021, as he alluded to a little bit in that clip. And obviously, everyone just saw the meeting, we don't need to play all seven minutes of his answer there. But the basic takeaway was, this was a great time to be an investor in the stock market. The value of the biggest companies in the stock market, about 20 times higher today, or at least at the very top, than it was just 30 years ago. But his lesson, his advice, as has tended to be the case over the last -- he's gotten more vocal about it in the last 10 or 15 years, has been that you have an option as an investor to just buy all the stocks. You can get an S&P Index fund basically for free.

I think it costs 3 or 4 basis points over at Vanguard, and -- or three or four tenths of a basis point, excuse me, over at Vanguard. And so that's again, you are buying the entire market for free and the market over time has gone up quite nicely. You do not necessarily need to be engaged in the business of trying to guess which of those businesses will be the largest over the next 30 years, but can rather access all of those businesses and all of the appreciation that those companies are likely to, in Buffett's view, likely to enjoy over the next 30 years without having engaged in the very difficult job of trying to pick individual securities on which ones they're going to perform best.

A - Akiko Fujita {BIO 21777315 <GO>}

And Julia, it seemed to be a bit of a cautionary tale here, that Warren Buffett was trying to tell, he talked about those traders today who are looking to make 30 to 40 trades a day, essentially saying, look, if you look back into 1989, if you thought you knew about which ones to pick the best ideas in 1989, didn't necessarily do well.

A - Julia La Roche

That's right, when you look at the companies, I think they were only six American companies on that list that were the top market cap or the top 20 market cap at the time. And those six companies are nowhere to be found on today's list, which is dominated by

American companies, specifically some of those big tech names. But kind of building on what Miles was said, Warren Buffett has long kind of advocated for investors buying these low cost index funds rather than kind of paying someone these management fees to pick what's the new thing to sell these days, whether it's the latest IPO or the latest SPAC. And then one other small thing I will add, because the latest list that he did show per March 2021, with those big tech companies, later in the conversation, Charlie Munger did bring up that list. And he pointed out that Apple has been very important to America and we've done so well in this new tech field. And he also said, Munger said, he personally would not like to see the present giants brought down to some low level by anti-competitive reasonings. Just an interesting point that he brought up later in the meeting, that he was very much in support of these big tech companies, which have been under a lot of scrutiny lately.

A - Akiko Fujita {BIO 21777315 <GO>}

Yeah, you're right about that, Julia. And Andy, I wonder what you made about their comments on that. They were also asked about valuations, whether -- in fact, they thought they were too sky high. It didn't sound like they thought they were.

A - Andy Serwer {BIO 15136542 <GO>}

Yeah. I mean, and he talked about that relative to interest rates, Akiko. And saying, you have got interest rates at this level. It makes stocks look much less expensive, and this is the environment in which we're in. Then of course you diverged into negative interest rates, some interesting things there. Another thing that caught my ear was his discussion about auto stocks and all the hundreds of auto stocks that existed, say a 100 ago or so in this country, and how they all turned out to be a bad investment, so that was interesting.

And then another point that I thought was pretty darn interesting as well, was his take late in the meeting about inflation and shortages and Greg Abel, Vice Chairman at Berkshire Hathaway, also chiming in there saying that the economy is hot. Buffett said it was red hot, as a matter of fact, and that there is upward pressure on pricing, they're seeing throughout the Berkshire Hathaway ecosystem, if you will. So a lot to chew on there for investors in Berkshire Hathaway, and in fact investors in general. Much more to discuss here coming up, but we're going to take a quick break. Stay tuned and more to come.

Welcome back to the 2021 Berkshire Hathaway Annual Meeting Shareholders post-game program. Buffett talking a lot about the stimulus that we had over the past 12 months, and that effect on the economy. Take a listen to what he had to say here.

A - Warren E. Buffett {BIO 1387055 <GO>}

It's a fascinating time. We've never really seen what shoveling money in, on the basis that we're doing it on a fiscal basis, while following a monetary policy of something close to zero interest rates. And it is enormously pleasant, but in economics, there's one thing always to remember, you can never do one thing. You always have to say, and then what. And we're sending out huge sums, I mean, President said it on Wednesday, 85% of the people were going to get a $1,400 check, or a 85%. And a couple of years ago, we were saying 40% of the people never could come up with $400 of cash. So, we've got 85% of the people getting those sums. And so far, we've had no unpleasant consequences from it.

I mean, people feel better. The people that get the money feel better and people who are lending money, don't feel very good, but it causes stocks to go up. It causes business to flourish, it causes an electorate to be happy and we'll see if it causes anything else. And if it doesn't cause anything else, you can count on it continuing in a very big way. But there are consequences to everything in economics.

A - Andy Serwer {BIO 15136542 <GO>}

Whitney Tilson, I want to go to you and get your reaction on what Buffett just said about stimulus and the effect on the economy, in the markets?

A - Whitney Tilson {BIO 5473807 <GO>}

Right. And well actually, right after that clip ended Munger weighed in and said, but if it continues for too long, the consequences will be terrible, further making Buffett's point. But interestingly, they both really flex their humility in that, who could have ever expected any of this. And yet, and they said at one point, that it's just the most remarkable time in their entire lives to just sit back and be a spectator and look at what's going on. And they are basically -- to be a successful investor, you have to be very arrogant to believe you can outwit all the other investors out there, but you also have to have a tremendous humility. And they sort of just outlined this incredible puzzle. They don't claim to have the answers. They don't know how the story is going to end, but they're enjoying the show. And in the meantime, they got their heads down and just looking to buy back their own stock, make some acquisitions, buy some stocks in the market, and do what they've always done. And they're not even the slightest bit tempted to stray outside of what they've always done. So it's a good lesson for all of us.

A - Andy Serwer {BIO 15136542 <GO>}

Akiko, you had a take on this, some final thoughts going around, you first.

A - Akiko Fujita {BIO 21777315 <GO>}

Yeah. I mean, to Whitney's point, they were answering a question that came in, that essentially said, why did you just sit on your hands here when there were more opportunities in the market? And I think Whitney brings up a good point. We heard both Warren Buffett, as well as Charlie Munger say, look, the economy right now is at 85% running in high gear. I don't think any of us could have predicted that. I thought as their commentary on the airline positions were interesting as well, because they have gotten some heat for exiting their positions last year, when we have seen those stocks move up higher. And we heard Warren Buffett say, look, they were the big beneficiaries of the Cares Act. But at the end of the day, they still would have stuck to their positions pulling out of the airline stocks and also paring back on the banks.

A - Andy Serwer {BIO 15136542 <GO>}

Julia La Roche, what about you? Final takeaways here regarding the stimulus or just in general?

A - Julia La Roche

Sure. Well, one of the things that they said was people are becoming -- I'm going to paraphrase here, numb to numbers. Trillions don't mean anything to anybody, but $1,400 means something to them and Buffett talking about Charlie Munger and they're -- basically witnessing, we're all witnessing, what they call the most interesting movie. So I got to tell you, I'm so looking forward to this meeting in 2022, being back in person with everyone, because it has been one of the most, I guess, unprecedented times of our lives. I know, we use that word a lot, but this meeting actually left me feeling more confident than I did this time last year, for sure.

A - Andy Serwer {BIO 15136542 <GO>}

And Myles Udland, final thoughts from you?

A - Myles Udland {BIO 20165611 <GO>}

That's it. We'll see everybody at the old mattress factory on 13th street next year for the (inaudible) after the 2022 annual shareholder meeting.

A - Andy Serwer {BIO 15136542 <GO>}

Fair enough, short and sweet. Lots to chew on over Saturday night and into Sunday for shareholders and for the markets in terms of things that Warren Buffett and Charlie Munger discuss. Yes, the dynamic duo was back. And we want to thank you all very much for watching this live stream of the Berkshire Hathaway 2021 Annual Shareholders Meeting here on Yahoo! Finance. Have a great weekend and a great year until we see you again next year. Bye-bye. Thanks.