Annual General Meeting

Company Participants

- Andrew Serwer, Editor-In-Chief
- Daniel Jaksich, Vice President, Principal Accounting Officer
- Debbie Bosanek
- Gregory Edward Abel, Chairman & CEO
- Jennifer Rogers, Anchor
- Julia La Roche, Correspondent
- Marc D. Hamburg, Chief Financial Officer and Senior Vice President
- Myles Udland, Reporter
- Rebecca Quick, Anchor
- Ron Olson, Director
- Unidentified Speaker
- Warren Edward Buffett, Chairman & Chief Executive Officer
- Whitney Tilson, Founder and Chief Executive Officer

Other Participants

- Greggory Warren, Senior Equity Analyst
- Lawrence Cunningham, Professor
- Unidentified Participant

Presentation

Andrew Serwer

Hello, everyone, and welcome to the 2020 Berkshire Hathaway Annual Shareholders Meeting sponsored by Yahoo Finance Premium. I'm Andy Serwer, Editor in Chief of Yahoo Finance, coming to you live from the CHI Health Center in Omaha, Nebraska. We'll begin live streaming the Berkshire meeting starting at 4.45 Eastern and for the next three quarters of an hour I'll be joined by my colleagues from Yahoo Finance, as well as some outside experts to discuss all things Berkshire Hathaway, and of course, all things Warren Buffett.

But first things first, this year's Annual Meeting will be unlike any of the 54 Berkshire meetings held previously. Because of the Coronavirus pandemic, there won't be anyone here, except for Warren Buffett; Vice Chairman, Greg Abel, which will be on the stage right behind me as you can see right now, as well as a few other Berkshire employees like Marc Hamburg, the CFO, and some others as well along with yours truly. That's quite a change from the usual 40,000-plus shareholders who fill this arena and the convention center next door, which is ordinarily crowded with booths from Berkshire companies like See's Candy, Coca-Cola, Heinz and many, many more. But one thing that will still be the same, Warren Buffett will be taking questions albeit remotely from CNBC's Becky Quick who's gathered questions from shareholders, as well as the usual other reporters who've asked questions, Andrew Ross Sorkin and Carol Loomis. And so all of us will be getting our usual helping of wisdom from Warren this year.

Joining us to help with our coverage are Yahoo Finance's Jen Rogers, Julia La Roche and Myles Udland. Nice to see you guys.

Jennifer Rogers {BIO 2325313 <GO>}

You too, Andy. I mean, you really set the stage there on how different this is and during this time of the Coronavirus pandemic, we kind of run out of superlatives for how historic and different everything is and this is one of these times when we're seeing something we've never seen before. Just to let everybody know, I mean, usually we're there very early in the morning with thousands of people lined up from all around the world, trying to get in to see Warren Buffett and Charlie Munger. (inaudible) relegated to a booth.

I'm serious, I've never seen Andy there on the floor. I mean, Andy, just give us a little sense of what it's like to be there. I mean, we know it's a skeleton crew, but what's it like to be in the room right now?

Andrew Serwer

Jen, I can actually

Jennifer Rogers {BIO 2325313 <GO>}

In the room right now?

Andrew Serwer

Jen, I can actually show you. I'll tilt my camera around, and you can see the arena is empty. And as I said, this is usually 18,000 people are up to the rafters literally hanging on every word that Warren and Charlie say. And yeah, there is a skeleton crew, there are a few people here, obviously personnel from the arena and some Berkshire people as well, most people wearing masks. I ordinarily would be wearing a mask, but that's a little difficult if you're broadcasting. So, I've taken mine off for the time being, but it is a very different scene, no doubt.

Jennifer Rogers {BIO 2325313 <GO>}

So, as you said, super-different here, but one thing that stays the same, Andy, is that on this day we also get earnings from Berkshire Hathaway, that is the tradition and that is kept up here as well. So there was a lot of questions about how the company was performing through this quarter. And I know Julia has been looking at that. Before we dive into the earnings as well, Julia, your thoughts on today.

Julia La Roche

Yeah, Jen, I mean, there are lot of things that stand out and I think one of the takeaways, if you read, Warren Buffett's annual shareholders' letter earlier this year, there was this accounting rule change that took place back in 2018. So I think there is a lot of focus specifically on the investment portfolio, the losses there, north of $50 billion. But again, this goes back to this rule change where you now have to mark those equity investments. So you're going to have big swings in the market. When you have a $200 billion-plus portfolio, you will also see big moves there. And then other thing that stouts me, Jen, just going through the numbers was the cash and cash equivalents of $137 billion, something that we keep asking Warren Buffett, is there an elephant sized acquisition on the horizon.

Andrew Serwer

Well, great, Julia, thanks. And yeah, it's interesting up here on the stage. You can see there is -- these guys are getting ready and there are some See's Candy and Cokes up there, so not to worry.

Myles, earning is a big deal and it's interesting we've talked about this a lot, but Berkshire Hathaway, of course, as such a big cross-section of companies that kind of reflects really, I'd like to think the best of Americans -- America's economy, so what have you got for us?

Myles Udland {BIO 20165611 <GO>}

Yeah, well as Julia mentioned, obviously the investment losses in the quarter were considerable, including investments and derivatives loss, there are $55.6 billion during the first three months of this year. Now if you take the operating businesses, this is the insurance, utilities, railroads and all the et cetera businesses, I guess we could call them whether it's the boots for the gloom and so on. Operating profit there $5.87 billion in the quarter, now that is down from about $6 billion from that same group last year. So the profits there were down overall. I think, the commentary from Warren Buffett inside of the 10-Q, I guess we can assume that Buffett was the one writing this; outlining the challenges here saying that the government private sector responses to contain its spread -- the virus's spread that is began to significantly affect operating businesses and margin will likely adversely affect nearly all of our operations in Q2, effects may vary, duration and extent is unknown, adding elsewhere in the 10-Q that many of Berkshire's businesses are essential: the railroad, the utility, some of the insurance businesses, the service businesses. And they noted that things were okay in March, but aligning here revenues of these businesses have slowed considerably in April. And so, Andy, I know we've talked so often on our programming about the broad swath of companies and how they're all are responding to this and I think Berkshire's commentary here pretty much in line with what we've heard it's just that we're finding it sort of all in one place here.

Andrew Serwer

Yeah, I think that's right, Myles, and of course, we really look forward to hearing what Warren Buffet has to say about the picture when it comes to the company and of course, the overall economy as well.

Joining us now is Greg Warren, Senior Equity Analyst at Morningstar and one of the top finance experts covering Berkshire Hathaway, who is normally here in Omaha for the meeting, but joins us remotely. And Greg, welcome. Before we get to you and ask you the first question, I want to play some sound of an interview that I did with Warren Buffett back in March about the COVID-19 and his response to that. So, let's listen to what Warren Buffett had to say about that.

So how do you assess what's going to happen and does that change your outlook?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, it's going to be terrible, but I've always felt the pandemic would happen in some time, a bit of a back I mean and describing things that can there's going to interrupt the progress of not only this country but the world it won't stop the progress on the country, the world I mean this is a terrible event that's occurring we don't know how terrible and it may not turn out to be that big a deal, when we go through, but it may turn out to be a very big deal when we just don't know. And I certainly don't know and nobody knows, but there will be other things that happen in the world in the next 5, 10, 20 years. That's the way the world works. It doesn't, it's not a totally even course.

Andrew Serwer

Yeah. And just to remind folks, I was talking to Buffett, that was the second week of March. And so we've since seen how it's played out and it's unclear whether it's truly abysmal and horrible, it's a pretty terrible situation. So I think he was kind of spot on. But, Greg, let me bring you in and ask you about that a little bit and about what you see as the effect on the company and all the various portfolio companies that Berkshire has?

Greggory Warren {BIO 15185326 <GO>}

I think, to your point, it is one of those classical known unknowns. There is this so much, not knowing the duration of how long the economy is going to be shutdown, how long it's going to take to things to recover, it's going to have an impact across the board. So, from that perspective, even a company like Berkshire is not going to be able to sort of avoid the impact from not just the pandemic itself, but the recession that follows and the slow recovery we're going to see overall.

I mean, when we look at the operating companies on the insurance side, it's hard to gauge completely how good of a job they did of avoiding losses related to the pandemic. I mean, pandemic insurance is not really been underwritten historically that much by a lot of companies. I think, Munich Re is only one that's been out there in past couple of years. But Berkshire obviously did have some exposure, they took some losses, some claims during the first quarter, anticipation about what they're going to see the rest of the year and there is some workers' comp issues and smaller things that need sort of work through. So, we'll see that on that side of the business.

But to your other point, the utility business is probably not going to be impacted all that much. There is a divergence within the manufacturing service and retailing side of the business, where there are some real economical sense that have been through that hurt and I think even Charles Munger said it last week that some smaller businesses in Berkshire that probably won't survive this. And then we look at Burlington Northern, which is an essential business as far as the railroad goes, but even Union Pacific which is being the asset's closest competitor was out there during their 1Q earnings, talking about the bad debt, volumes might be down 25% during the second quarter.

Jennifer Rogers {BIO 2325313 <GO>}

Greg Warren with Morningstar, the Senior Equity Analyst there, thank you so much for joining us on this day. I know you're going to be sticking around watching this coming out live from Omaha, Nebraska. Again, you are all waiting for Warren Buffett and Greg Abel to start addressing shareholders and anybody that's interested out there, it's going to come up at 4:45 Eastern Time.

So, we've got about another half-an-hour here. We're going to take you up to that moment. Coming up next, we're going to be joined by the author of several bestselling books on Berkshire Hathaway, he's even on Warren Buffett's reading list and got a shout out in Buffet's most recent shareholder letter, Prof. Larry Cunningham from George Washington University will be here in just two minutes, so stick around, a lot more to come.

[Music]

Andrew Serwer

All right. Joining us now is Prof. Lawrence Cunningham from George Washington University and author of two new books about Buffett and Berkshire Margin of Trust and Dear Shareholder. Larry, great to see you. Thanks so much for joining us.

Lawrence Cunningham {BIO 1795761 <GO>}

It's nice to be back with you, Andy. I was with the last year and this year is a little different obviously.

Andrew Serwer

Yeah. So what are you looking for at this meeting. There is so much to talk about with everything going on in the economy. What are you picking up the most?

Lawrence Cunningham {BIO 1795761 <GO>}

Well, I think, the thing to look forward is mood in a way. He'll obviously provide us a lot of substantive information in detail and it will be interesting to see Greg in action and how they interact and how he approaches this challenge. But you look for a mixture of melancholy and maybe some hopefulness. And usually it's almost all joy, most Berkshire Annual Meetings are a fun fest and there's a lot of enumerate discussion, there occasionally crisis or small crisis that he has to deal with. But this year it's much more pervasive. So I think, looking for his mood, see how much is melancholy and where the silver linings are.

Julia La Roche

Hi, Prof. Cunningham. It's Julia La Roche. Thank you so much. I actually just finished Dear Shareholder yesterday. I am interested in Greg Abel, because I think a lot of folks are really curious about him and he is going to be on that stage with Warren Buffett. Could you give us some insight as someone who studied Berkshire for decades, tell us a bit more about him?

Lawrence Cunningham {BIO 1795761 <GO>}

He is a 20-year veteran of Berkshire Hathaway, he's been running the energy company almost all that time, is allocated tens of billions of dollars of capital, and has a proven track record around capital allocation, he is also a first-class gentlemen, is delightful human, he's nice to talk to. And I guess the thing I want to share is that whenever I talk to Greg, whether it's in person or on the phone, I sometimes wonder, am I talking to Warren and I hope that comes across today he's got the same sort of Midwestern sensibility, modesty and astuteness. So I hope that that comes through today. I think it will be very interesting to see.

Julia La Roche

That will be interesting to see, especially since it won't be with Charlie Munger, who we're so used to seeing the two of them up there doing their little routine. Professor, it's interesting to hear you talk about mood, because you go -- I think of Buffett as the eternal optimist really, and now we see this cash pile at $137 billion and really not that many investments made when we were seeing the volatile market in the first quarter. Are you surprised by that? Do you think there's anything to read into there about the mood, about his outlook for the economy and his company?

Lawrence Cunningham {BIO 1795761 <GO>}

We will want to press on that today. The most obvious thing is that the phone isn't ringing, Berkshire's acquisition and investment strategy is to wait for sellers to call them. And right now, no seller is calling, mainly because anybody who wants it pretty much can get government money close to zero, so negotiating with Warren would not be a rational thing for most sellers to do, as the political appetite for that kind of life support range, I suspect he'll get some more calls.

The other thing to think about is, the cash pile, as you say, is rising, he's always insisted on having at least $20 billion of cash available to handle insurance liabilities and that number may be low in the current environment. I don't know how low with it is, but some of that $138 billion or we'll have a claim on it, it's different from in the past. And the other thing is, it's very difficult to value anything in the current environment. So, he'll only make an acquisition if he's got a reasonable basis for deciding that it's worth the cash he's paying. So, but I think you're right that that'll be a important topic for the day.

Andrew Serwer

You know, of course, let's not forget, Larry, that this is a shareholders meeting and the shareholders care about the stock price. And so, of course, does Warren Buffett, I talk to him about that a little bit last month. Here's what he had to say.

Warren Edward Buffett {BIO 1387055 <GO>}

I've got 99% of my money. That's a -- it appeals to me, but and it appeals -- actually it appeals to a lot of people who feel very comfortable with the fact it will never blow it basically. I think that they could feel very certain relative to almost any company that we won't be at the bottom quartile or something of performance, but I can feel very -- they also should feel we're not going to be in the top necessarily either. We run -- if you're a shareholder of Berkshire, we are running the business like you've got 100% of your money and you're going to keep it then and it's up to us to take care of it.

Andrew Serwer

Question is, I guess, Larry, is this going to be a great stock to own for the next five, 10, 20 years, what do you think?

Lawrence Cunningham {BIO 1795761 <GO>}

Yeah, I think so. And there's Warren's refrain all the time mid crisis the short-term can be catastrophic, but the long-term is typically stable and will recover, and that's my prediction of the meeting today. Lot of melancholy over the next -- past month and the next quarter or more, but over the next five years, 10 years, we'll all get through this and it will be a memory.

Myles Udland {BIO 20165611 <GO>}

And Professor, coming in, you've basically been through -- not basically, you have been through all of Buffett's annual letters for the last 50 years and just thinking about maybe what lessons a younger Warren Buffett might have for current Warren Buffett or for wasn't that investors can heal right now, because I think the tone of everything has been happening in the world, there's no one knows anything. Greg Warren just telling us this is a known unknown. What in the Buffett catalog, I guess, as it were perhaps helps as a guide map of figuring out how to kind of just keep your head on straight in a time like this?

Lawrence Cunningham {BIO 1795761 <GO>}

Yeah, it's good to read those letters, because they exude rationality above all. And he's got a great quote from just two years ago about all of the significant crisis that have plagued, if you like, the second half of the 20th century, and we got through them all. Now, this is on a order of magnitude much greater, but nevertheless, I think, staying rational, staying practical, sticking with fundamentals and appreciating that we've gotten through a lot of calamity in the country and we'll probably will get through this too not without some cost dislocations that are unpredictable, but we will get through. And so, I think, the young Warren Buffett out there being rational, being a fundamental analytical person is a very prudent approach.

Julia La Roche

Certainly an eternal optimist. Prof. Cunningham, I would love to get your take on what do you think or what would you want to ask Warren Buffett or Greg Abel today, if you had opportunity to pose a question to either of them, what would that be?

Lawrence Cunningham {BIO 1795761 <GO>}

I want to ask them about the buyback. Everyone is talking about well, shouldn't Berkshire use some of that $138 billion in buyback its stock. We all know the Board authorized Warren to buy large amounts of Berkshire stock at a price of 120% of book value or less and he's hit that price and we haven't seen much buying back. He says, that would be a rational use of capital at least if it is a better opportunity than other alternatives. So I'd like to push them a little bit on that.

In particular, what I'd like to know is, one reason we may not have seen the buyback is precisely because the other element that he insists be true is that their shareholders have information to decide what the intrinsic value of Berkshire Hathaway is and it just might be the case that that's not possible to do. And so I think they have a dialog around the rest of the discussion on share buybacks, not just the price value, but do the shareholders have the relevant information.

Jennifer Rogers {BIO 2325313 <GO>}

Prof. Larry Cunningham from George Washington University, thank you so much for joining us today. Although we don't get to see you in person, it was great to get a chance to talk with you before the meeting starts. And of course, for all of you that are waiting out there for the meeting to start, we are expecting it at 4.45 Eastern Time. Again, Warren Buffett and Greg Abel taking questions there, it's going to be a little bit different this year, but it is a year you are not going to want to miss. So stick around. Coming up next on the other side of this break, we're going to have Berkshire Hathaway Director, Ron Olsen, join us again as we are counting down to the Berkshire Hathaway Annual Meeting exclusively right here on Yahoo Finance.

[music]

Andrew Serwer

All right. We're now joined by Ron Olson, who is a Berkshire Hathaway Director. Ron, so great to see you. You're in California, I take it, and obviously not here. So what are you going to miss most about not being here this weekend?

Ron Olson {BIO 20148684 <GO>}

Most. The $1 Dilly bars. But beyond that, just the excitement of the shareholders and the families, movement about the floor, the auditorium, between the businesses, having fun with each other, sharing the whole experience as we've come to know at over the last 50 years. And it's a -- I have to say, I'm sad that I'm still here in California and you're there somewhere anyway with Warren and I'll miss being in the scene.

Jennifer Rogers {BIO 2325313 <GO>}

Hey, Ron. It's Jen Rogers here. It's really nice to see you. I too am going to miss the Dilly bars and talking. And look, it's a family reunion for a lot of people that we see year-after-year coming out with their kids. I think, a lot of people are also going to miss seeing Charlie Munger up there. I think, that's going to be something that a lot of people either a little sad about are there also, just thinking about what does this mean to have Greg Abel there next to Warren Buffett. How should we be thinking about that, because succession has always been such a big question here for this company?

Ron Olson {BIO 20148684 <GO>}

Well, don't read too much into it. We have three Vice Chairman. One happens to live on the East Coast, one happens to live on the West Coast, and the third lives in the nearby state, two-hour auto drive away in an environment where we're told not to fly airplanes. So it made a whole lot of sense for Greg to attend. I am in regular contact with Charlie. He still has a better memory than me. We talk Berkshire things, I get the benefit of catching him with his nose and one of his books and learn a little bit from that. He is healthy and well, and I'm sure he misses it as much as anybody. I guess, I only gave one piece of advice to Greg and that was spend a little time practicing that line, I have nothing to add.

Julia La Roche

Hey, Ron. It's Julia La Roche. I think, a lot of folks would just be curious for Berkshire Hathaway. Are you all getting those phone calls in this environment right now, if you can provide any sort of insight. I think a lot of people want to hear from Warren Buffett, so have you had any phone calls lately?

Ron Olson {BIO 20148684 <GO>}

Well, I haven't had them. I'm sure Warren has had many phone calls whether or not they relate to a deal that is not something of course I'm going to speak to. But the environment is challenging for all the reasons you all have captured thus far on the program. I thought Larry did a good job, Larry Cunningham, of laying that out. With regard to one fundamental in this environment, it's hard for buyers or sellers to get to a valuation and I think that's going to be a hindrance for values until this settles down and who knows when that's going to be.

Myles Udland {BIO 20165611 <GO>}

Hey, Ron. It's Myles. Sorry to see you this way, you don't get to hang out in the booth this year of top in the arena. You talked about valuations and about agreements hard to reach in this kind of environment. I'm just curious, from your standpoint, maybe legally looking at a contract right now, businesses have agreements out a couple of months. Is this a kind of a free-for-all right now? What is the status of companies trying to actually hold whether it's their customers or a potential buyers on and so forth. Two agreements in this sort of environment it's certainly unprecedented in many respects.

Ron Olson {BIO 20148684 <GO>}

You're talking about the Berkshire subsidiaries or any...

Myles Udland {BIO 20165611 <GO>}

Sure. Berkshire subsidiaries anything else you're seeing in your work may be outside of Berkshire. I mean, I think you have an interesting perspective that not everyone is going to have in this kind of environment.

Ron Olson {BIO 20148684 <GO>}

Well, I see a lot of different things going on. I think different companies are trying different approaches to an unprecedented environment; and in this situation, it is to be expected I think. But you will see -- I happened to pay a little bit of attention to the agricultural industry. We've seen everything going on there with people trying to find ways to operate in a safe way to operate in a safe way for the employees to provide the needs of citizens in a complex distribution chain between the farm and the grocery stores to provide a safe shopping environment for their customers. You've seen it, I've seen it, we moved from social distancing to mass. I just saw some report today that you have to wear a bonnet of some time before you can approach ATM machine and some of the banks that are dispensing moneys. People are trying every approach to keep in touch with their customers. I've got a very, very close friend like a daughter who operates a restaurant in Los Angeles in San Marino, to be specific. She is standing at the doorway, monitoring every customer who comes in only two at a time and she's having what she told me last night, where some of the most interesting conversation she's had by asking her customers how they're dealing with it. So you see all kinds of approaches.

Andrew Serwer

Hey, Ron. It's Andy again. I know Directors never like to talk about this, but I'm going to ask you anyway, which is the Board itself, and I gather that Bill Gates is leaving the Board and Ken Chenault is coming on the Board right about now. And so, I'm wondering what is the thinking in terms of the composition of the Board and what are you trying to establish and put forth when it comes to Board members here.

Ron Olson {BIO 20148684 <GO>}

Well, that's a good question, Andy. And our Board is as I think most people recognize, a little long in the tooth, but it is a Board that, I think, has served the shareholders well. Why? For a number of key reasons. One, they are personally invested in the company. Most of us have a large share of whatever wealth we have in Berkshire Hathaway. They treat it as an owner and they try to create an environment where all shareholders have that attitude. And so far, I think, we've done pretty well with that. There is not the kind of in and out in the Berkshire shareholder base that you see with so many companies. We're looking for directors who will someday replace those of us longer in the tooth that share those kinds of values, that understand the Berkshire culture, our ability, for instance, somebody raised a moment ago deal-making climate, our ability to make decisions quickly to close deals without a whole lot of deals without a whole lot of contingencies to give people confidence the businesses, they sell to us will be run tomorrow as they were under their direction. So, our culture and so many ways is critical to our future, we want directors and we have people, we have a committee that's working on keeping an active list of prospective directors.

Jennifer Rogers {BIO 2325313 <GO>}

Ron, we thank you so much for joining us and again we're side, we don't get to see you in person, but thank you for spending the time with us and I'm sure you'll be watching the live stream, it's coming up and we're expecting Warren Buffett, and Greg Abel, on the stage in just about 11 minutes. Ron, you're going to be watching. We're going to be watching, stick around, we've got a lot more coming up, including the man, who knows a lot abut Warren Buffett. He has been studying him for years, Empire Financial Research's Whitney Tilson will be here on the other side of this break again 4:45 is when we are expecting, this special live stream of the Berkshire Hathaway Annual Meeting to begin.

Whitney Tilson {BIO 5473807 <GO>}

Thank you for having me. I'll treat you to Delaware next year.

Andrew Serwer

Joining us is Whitney Tilson, Empire Financial Research; Founder and CEO. Whitney great to see you. I know it's got to be killing you, that you're not here, but you're not alone. 40,000 other people feel the same way. They're not here, so I got to ask you, you love to ask a question, but what are you looking for the most year from Warren Buffett this afternoon?

Whitney Tilson {BIO 5473807 <GO>}

Look, the thing that really jumped out at me in their Q1 earnings is the complete lack of buying back your own stock like I understand, Charlie Munger, that our phone wasn't ringing and the government providing a lot of cheap capital. So that's bad for Berkshire doing deals, but let me just read the four sentences from Buffett's Annual letter exactly, three years ago. And let's contrast that to what they have actually been doing in the last quarter, he wrote, Charlie and I have no magic plan to add earnings except to dream big and to be prepared mentally and financially to act fast when opportunities present themselves.

Every decade or so dark clouds will build the skies and they will briefly rain gold and went downpours of that sort occur, it's imperative that we rush outdoors carrying wash tubs not teaspoons. And that we will do. Well in the first quarter, they weren't carrying teaspoons, they were carrying symbols, their share repurchases ceased, if you look at page 42 on the 10-Q on March 10, they didn't buy back a single share after March 10 and over the next two weeks, more than $60 billion Berkshire Hathaway stock traded and they didn't buy a single share as the stock crashed to as low as $239,000 per A share. So clearly, they don't think it was raining gold, they instead pulled in their horns, hoarded cash and I guess waited for it to really raid gold. I think what they were saying in their behavior and what they actually did with not buying any -- not doing any big deals and not even buying in any really any material amount of their own stock is they were saying we think things are going to get a lot worse yet.

Julia La Roche

Hey Whitney, it's Julia La Roche. Thank you so much for joining us and thanks for that analysis there on the buybacks. I suppose that would be one question you would have and as someone who has been going to the meeting for 22 years I know this year obviously not the case, you're someone who is known to ask questions. So I guess, looking beyond the share buybacks, what else would you want to ask Warren Buffett or Greg Abel today?

Whitney Tilson {BIO 5473807 <GO>}

You know, they sold another $6 billion worth of stocks in April as the markets rallied. So there is a sort of another bearish indicator that they're not only not buying back their own stock, they're selling down at least some, I mean, that's only 3% or so of their equity portfolio. But I'd want to know, is your -- what I'm seeing in the numbers is a very bearish outlook. But when I see you interviewed, you say the usual stuff about being long-term bullish on America. Well, how do you reconcile those two things?

Myles Udland {BIO 20165611 <GO>}

Hey, Whitney. It's Myles here. I'm going to talk to you in this format. I'm just curious maybe moving slightly away from Berkshire here, your view on the market and how you've played the last six weeks you were very vocal in March about where you thought things were headed and you're kind of reading through the Buffett commentary in the last couple of weeks and implying that he might think things get worse from here. I get the sense that you believe maybe we turned that corner in late-March, at least from a market perspective where are you at right now?

Whitney Tilson {BIO 5473807 <GO>}

Yeah, well, look, I was a little early in starting to get bullish. But within an hour of when the market bottomed on March 23rd, I was pounding the table doing a two-hour webinar, saying this is the best buying opportunity since the great financial crisis and that turned out to be a pretty good call. The market has had an unprecedentedly rapid and strong rally since then. So I was sort of hoping to see the Buffett and Munger were seeing the same thing I was. There, it was raining gold at least for about two weeks in there and clearly they were not seeing it and maybe it's because they're smarter than I am, but this is a bear market bounce and that we're going to go back and the market is going to be down a lot further than it was on March 23rd. So that's one possibility.

Another possibility is that they're managing 100% of not only their net worth, but a lot of retirees and so forth. So, they are naturally in a position to be a lot more conservative than I am, and I understand that, that's why I think Berkshire Hathaway remains the number one retirement, stock in America.

Unidentified Participant

Really, that's -- just to follow-up on that question, just quickly, quickly because we're running out of time, but I just wanted to ask you, this is really a buy and hold stock for the next 20 years you think?

Whitney Tilson {BIO 5473807 <GO>}

Look, I think you have to have appropriate expectations. From here I my calculation, my conservative calculation of intrinsic value. Right now is $374,000 in Asia and the stock's at 274 to the 27% discount to its intrinsic value. Now, that's not an all time high discount back in 0.8, early 0.9, it got to almost half of intrinsic value. So that was really an incredible buying opportunity.

But today, I think it's safe is cheap, there is a decent growth, but you just have to understand that is all guys are just super conservative and if you're looking for excitement. If you're looking to double your money quickly. This is not for you, if you look for a stock that's down 19% this year and a down 12% market, meaning the discount to intrinsic value has widened, because Berkshire Hathaway intrinsic value is not down 19%. The stock is down more than its intrinsic value, which makes it a better buy today.

Andrew Serwer

Okay Whitney. Thank you so much for that. We're going to have to have Jen, over to you.

Jennifer Rogers {BIO 2325313 <GO>}

All right. So, Andy Serwer is on the floor there in Omaha, Nebraska, behind him on the stage, I believe we've got the main players here, Greg Able and Warren Buffett, and they're going to be taking over in just about two minutes. So Andy has got a jump because he's actually on the floor there. So, Andy, we will see you after and of course, again, we're just about to minutes away from the start of this special live stream of the Berkshire Hathaway, Annual shareholders meeting a very last thoughts here from you guys are miles, I mean look earnings. We've been talking about succession, what do you think is going to be really the heart of this conversation?

Andrew Serwer

Well, you'll recall, last year's Annual meeting started with a question about buybacks and then I think we had two or three different guests in the last 45 minutes, talk about buybacks and so I think there's certainly an outstanding question, not only of our Warrant views the buyback program. But what the -- I don't know, I guess what the strategy is here in terms of deploying some of this capital. I think you look at the Berkshire holdings right now, -- instructor -- you're going to see that come up there. Everyone points to -- everyone points of the capital. Yeah, $137 billion buying back stock or you buying or some other company, but there is definitely a sense that that is, that's us projecting. We want to see Berkshire and more and do something, so that we can say, here's Warren Buffett, is done, I think we all feel that anxiety around just trying to be patient in these times and let the field come back to you as it were, if that, if that analogy makes any sense

Jennifer Rogers {BIO 2325313 <GO>}

So if you've been watching, you've been patient. We think we're about one minute away from Warrant Buffett and Greg Abel. Julia La Roche, your last thoughts here.

Julia La Roche

Yeah, I would, Jen. I think, Myles summed it up nicely as to what's on folks mind. And yeah, you're right, that was the same. It was the first question last year. Sometimes it's not always the obvious one that is the first question. I believe, it's Carol Loomis who gets to pick that question. I think, for me, personally, Jen, I think, this is just a time in America and even globally that people just really want to hear from Warren Buffett. So I'm excited to hear what he has to say.

Jennifer Rogers {BIO 2325313 <GO>}

Okay.

Warren Edward Buffett {BIO 1387055 <GO>}

And this the annual meeting of Berkshire Hathaway. It doesn't look like an annual meeting, it doesn't feel exactly like an annual meeting. And it particularly doesn't feel like an annual meeting, because my partner 60 years Charlie Munger is not sitting up here. And I think most of the people who come to our meeting really come to listen to Charlie. But I want to assure you Charlie at 96 is in fine shape. His mind is as good as ever, his voice is as strong as ever, but it just didn't seem like a good idea to have him make the trip to Omaha for this meeting. Charlie is really taking to this new life, he's added zoom to his repertoire, so he has meetings every day with various people and he is just skipped right by me technologically, but that really isn't such a huge achievement, it's kind of like stepping over a peanut or something, but nevertheless, I want to assure you Charlie is in fine shape, and he'll be back next year and we'll try to have everything in the shelf that we normally have, next year.

Ajit Jain, also who is the Vice Chairman in charge of insurance, is safely in New York. And again, it just did not seem worthwhile for him to travel to Omaha for this meeting. But on my left we do have Greg Abel, and Greg is the Vice Chairman in charge of all operations except insurance. So, Greg manages a business that has more than $150 billion in revenues and crosses across dozens of industries and has more than 300,000 employees, and he's been at the job a couple of years and frankly, I don't know what I'd be doing today if I didn't have Ajit and Greg handling the duties that I was doing only about a quarter as well a couple of years ago. So I owe a lot of thanks to Greg and you'll get exposed to him more as this meeting goes along.

The meeting will be divided into four parts in a moment or two. I will talk there's sort of a monologue with slides. I've never really used slides before. I've taught college classes intermittently, but pretty steadily from age 21 to age 88 and I never recall using a single slide, but you know, who says you can't teach an old dog new trick. So we'll all will see whether you can or not. And I've got a number of slides and I would like to take you through those in the first section, which will start in just a minute. And then we'll move on to a brief recap of Berkshire's first quarter results now. We put those up in the 10-Q, which was posted on the Internet at berkshirehathaway.com this morning, and there is lots and lots of detail in there. So I'm not going to go through that. I'll just have -- I'll point out one or two things that may be of interest to you and actually I'll talk a little bit about what we did in April, which is something that is new to Berkshire be that current, but I'll give you that and we'll have the formal meeting, which will take maybe 15 or 20 minutes.

And from there, we'll go to Becky Quick, who, for a couple of hours, will grill me and Greg on questions she's selected from a huge batch that I'm told she has received. They went to Carol Loomis and Andrew Ross Sorkin, as well as to Becky, but to simplify things, we've consolidated all those questions that Becky will ask. And like I said, we'll go for a couple of hours and there is no specified cut-off time at present, we'll just see how things develop.

Now what is of course on everybody's mind in the last two months or so is what's going to be the situation on in terms of health in the United States and what's going to be the situation in terms of the economy in the United States in the months and perhaps, the years to come. And I don't really have anything to add to your knowledge on health. I, in school, I did okay and accounting, but was a disaster in biology and I'm learning about these various matters the same way you are. And I think, personally, I feel extraordinarily good about being able to listen to Dr. Fauci who I never heard of a year ago. But I think we're very, very fortunate as a country they have somebody at 79 years of age who peers to be able to work 24 hours a day and keep good humor about him and communicate in a very, very straight forward matter about fairly complex subjects and tell you any, know something and what he doesn't know something. So I'm going to talk about any political figures at all or politics generally. This afternoon but I do you feel that, that I or huge debt of gratitude, Dr. Fauci for educating and informing me. Actually along my friend Bill Gates too, as to what's going on and I know I get it from a straight should I want to get it from either one off of those.

So thank you, Dr. Fauci, but the one those hit us and as I said, here in the auditorium was 17,000 or 18,000 empty seats, the last time, I was here it was absolutely packed. Creighton was playing Villanova, and there were 17,000 or 18,000 whatever it holds, it was fall and there wasn't one person in that crowd this was in January, it wasn't one person of that crowd that didn't think that March Madness wasn't going to occur in it's been a flip of the switch in a huge way in terms of national behavior, the national psyche, it's dramatic and when we started on this journey, which we didn't ask for it seems to me that was an extraordinary wide variety of possible release on both the health side and on the economic side. I mean that was, in other words DevCon 5, on one side and DevCon One, on the other side and nobody really knows, of course, all the possible is that there are, and they don't know what problem probability factor to stick on them. But in this particular situation, it did seem to me that there was an extraordinary range of things that could happen on the health side and I think an extraordinary range in terms of the economy, and of course they intersect and affect each other. So they're bouncing off each other as you go along. And I would say, again, I don't know anything you don't know about health matters. But I do think the range of possibilities has narrowed down somewhat in that perspective. We know we're not getting a best case and we know we're not getting the worst case.

The possibility initially on the virus was hard to evaluate and it's so hard to evaluate there's lot eventually we've learned about and lot of things we know we don't know, but at least we we know what we don't know and some very smart people are working on it and we're learning as we go along. But the virus obviously was been very transmissible and it's -- but on the good side and it's not that good, but it is not as lethal as it might have been we had a Spanish flu in 1918 and my dad on for several things on his parents went through it and they have a terrific story on the March 15th edition Omaha World-Herald that you can go to omaha.com and look up. So also on the first page, I believe, on Google if you put in Spanish flu Omaha and during that particular time and maybe four months or so Omaha 974 I believe deaths. And that was a half of 1% of the population and I'd figure wasn't greatly different than around the country.

So if you think half of 1% of the population now, you're talking 1.7 million or thereabout people and unfortunately in terms of the worst case, this does not appear to and I think almost rule out it being as lethal as the Spanish flu was, but it's very, very transmissible and of course we have a problem we don't know the denominator in terms of exactly how lethal it is because we don't know how many people have had it and didn't know they had it. But in any event, the range of probabilities on health narrowed down somewhat. I would say, the range, the probabilities or possibilities and on the economic side are still extraordinarily wide. We do not know exactly what happens when you voluntarily shut down a substantial portion of your society.

In 2008 and '09, our economic train went off the tracks and there were some reasons why the rope that was weak in terms of the banks and all of that sort of thing. But anyway, this time we just pulled the train off the tracks and put it on a siding. And I don't really know of any parallel in terms of very, very one of the most important country in the world. Most productive, huge population. In effect sidelining its economy and its workforce and obviously and unavoidably creating a huge amount of anxiety and changing people's psyche and causing them to somewhat lose their bearings in many cases, understandably.

This is quite an experiment and we may know the answer to most of the questions reasonably soon, but we may not know the answers to some very important questions for many years. So it still has this enormous range of possibilities. But even facing that, I would like to talk to you about the economic future of the country. Because, I remain convinced as I have, I was convinced of this in World War II, I was convinced of it during the Cuban missile crisis, 9/11, the financial crisis that nothing can basically stop America. And we faced great problems in the past, we haven't faced this exact problem. In fact, we haven't really faced anything that quite resembles this problem. But we faced tougher problems and the American miracle, the American magic has always prevail and it will do so again and I would like to take you through little history to essentially make my case that if you were to pick one time to be born and one place to be born and you didn't know what your sex was going to be, you didn't know what your intelligence would be, you didn't know what your special talents or special deficiencies would be, that if you could do that one time, you would not pick 1720, you would not pick 1820, you would not pick 1920. You'd pick today, and you would pick America. And of course, the interesting thing about it is that ever since America was organized in 1789, when George Washington took the oath of office, people have wanted to come here. Can you imagine that? For 231 years, there's always been people that have wanted to come here.

Now, my friend, I think I just jumped the gun just a shade. I'm putting up slide on. But I'm going to call from some slides as we go along. But the interesting thing about this country is what is on slide one? Let's put it up. And this is an extraordinarily young country. Now, I'm comparing it to a couple of guys that are pretty old, but when you think about the fact that my age, Charlie's age, our life experience, and then we'll throw in this young guy over here, Greg Abel, and if our life experiences combined, exceed the life of the United States, we are a very, very young country. But what we've accomplished is miraculous. Now just think of this little spot in history.

And if we go to slide two, I've tried to estimate -- well, let's go back. Stay with slide two, but the population in 1790, and we had 3.9 million people here. It's funny, when you look up census figures, you find out that they had a big fire in the Department of Commerce building in 1921, so they lost a lot of the census records. So these are not quite as -- there's some things where there's a few gaps, but there were 3.9 million people in the United States. And actually, I've got $0.6 million. It's closer to $0.7 million. There were 700,000 of those people were slaves at the time. But those 3.9 million people were one half of 1% of the population of the planet.

And If you'd asked any of those 3.9 million people, any of them to imagine what life would be like 231 years later, even the most optimistic person; they could have been drinking heavily and even had a little pot, and they still could not in their wildest dreams have thought that in three lifetimes, Charlie's mine, and Greg's, that in that period you would be looking at a country with 280 million vehicles shuffling around its roads. Airplanes, maybe not today so much, but they'll be back again. They were flying people at 40,000 feet coast to coast, five hours. That great universities would exist in one state after another, and great hospitals systems, and entertainment would be delivered to people in a way nobody could have dreamt of in 1790s. This country in 231 years has exceeded anybody's dreams.

I went to the internet trying to prepare for this, and I tried if you'll move to the next slide, I tried to find out what was the wealth of the country in 1789, our starting point. I punched in United States wealth. I tried 1789, I tried 1790. I thought it might be a little easier in terms of a round year, and I think 4 million or so references came up. I didn't look at all 4 million, but I can tell you the data collection in those early days on many fronts was not anything like today. You really can't find but I would consider a reliable figures. You can find out how many mules there were in the country and a few things like that, and try to add them up. But in real estate, and when you find them, when you're looking at houses or apartment houses or office buildings that and other, they are each slightly different than each other but they looked at comparable sales. So it's hard to find a lot of countries that have been sold where the wealth has been estimated, but it was interesting to go back and think about the fact that in 1803 of we purchased for $15 million may be Louisiana purchase that's a little later than 1789 but that's the best comp, as they say and that's the best comp we could find for land mass anyway.

And when we purchased made that purchase that was equal incidentally two about a quarter, about 800,000 plus square miles, but it was about a quarter of what the lower 48 states now contains. So we bought about a quarter of the lower 48 for the $15 million back in 1803. And we live Texas and your grandfather is close to dying and he calls the grandchildren around him, and his final words he always said this don't sell the mineral rights. Well if I sold us mineral rights on that $15 million deal as well. So we got that whole strip there we got all of Kansas essentially all of Oklahoma they produced 21 billion barrels of oil for us, a lot of natural gas since the purchase. One of the side lights is that we paid out $15 million for the Louisiana purchase. We paid $3 million of it 20% of it we paid with 200,000 ounces of gold valued at 15 bucks an ounce and that 3 million though the French took and we got South Dakota as part of the Louisiana purchase and the home state mine up there before it close produced well over 40 million ounces of gold and 40 million ounces of gold, that comes to about $60 billion worth. And like I say, 200,000 ounces took care of 20% of our purchase price. So the Louisiana purchase was a bargain, but it's what the going price was for 800,000 square miles, I guess, at the time, and $0.03 an acre. So I decided by playing around with various numbers such as that, that as a reasonable estimate of the worth of the country in 1789, $1 billion was not crazy figure. Now, if I'd been an academician or something, I would've put $1,107,400,000, something like that. I would have made it look respectable. But it's a wild guess, but it's not a crazy figure.

So what has happened, let's move on to the next slide, to the wealth of the country since then? And here we have some figures that come out pretty regularly. Well, they do come out regularly where the Federal Reserve estimates the net household worth of people in the United States, all the households in the United States. And you can look these up, and you'll see that there's $30 trillion of stocks, and I think maybe single-family homes. What are there? There's 82 million or so owner-occupied single families, maybe 45 million rental apartments and so on. So you start to adding all these up, and the Federal Reserve tells us, and I invite you to look at the data; it's kind of interesting, that we now in the United States, 231 years later, we have a $100 trillion, we have more than $100 trillion of household wealth, even though the stock market's gone down somewhat since the last quarter report.

So you say, well, we've had a lot of inflation, everything. We actually, in the United States, for the first half of our existence, roughly, we didn't really have that much inflation. We had inflationary periods and deflationary periods, but the general price level did not change that dramatically. But I will assume again for this calculation that there's been 20 for one inflation, it's way less than that in many commodities, and it's very hard to measure and talk about equivalent benefits from different kinds of products and so on, and costs. But I think it's reasonable to say that the United States in real terms has increased in wealth at something in the area of 5,000 for one, which is really, it's mind blowing. 5,000 for one in real terms, in a country that had a half a percent of the, and a bunch of raw land. But a vision that to accomplish that in 231 years, there's just no denying that that's beyond what anybody could have dreamt earlier.

But it was not done, and this is important, because we've now hit a bump in the road. It was not done without some very, very serious bumps in the road. It was not 231 years of steady progress. In matter of fact, we had been in the birth of this country. We'd been into it, what? 72 years and if we go to the next slide, 1861 we now had about 31 million people. The 1960 cents to showed around 31 million people or thereabouts in the country and 4 million of them were slaves, and we had never really resolved the very much unfinished business of what was involved in compromises in 1789, and we'll have more to say about that later. But we had something that not too many countries experienced, and if you had told people in 1789 that in 72 years, you were going to have a division that causes the President of the United States at Gettysburg to say that testing whether that nation, or any nation, so conceived and dedicated, can long endure. Imagine the President of the United States wondering aloud whether the country that he was presiding over could long endure, only 72 years or 74 years at Gettysburg, had taken place.

So while this marvelous dream was being played out, roughly a-third of the way through it, we face this really moment of decision, and we entered into a contest that, if we'll go to the next slide, I made an estimate that literally killed roughly 6% of the males in the country who were between 18 and 60. I'm assuming that there were more than 600,000 deaths in the war. And I think, it's a reasonable estimate that that 18 to 60 group males were by far the great proportion. So imagine 6% of your working prime age males in a country are wiped out in four years. So when we look at the progress of this country and we think of our own problems now, I just ask you to ponder and we'll move to the next slide. That would be equivalent today to having four million males in that same age group similarly wiped out. So that was one incredible interruption which this country nevertheless worked through while compiling this American dream that is one of the wonders of the world, perhaps the wonder of the world in many senses.

So let's move on to the another crisis of a different sort that hit the country, and this of course is the 1929 crash, which led to the Great Depression. And here the Dow Jones average, which we'll use through this. At that time, that's the one everybody paid attention to, actually. The second most important average at that time, if you look at the papers, was the New York Times average, which has disappeared, and of course the Standard and Poor's has probably, regardless is a superior yardstick, but the Dow Jones is a perfectly adequate yardstick. And on September 3, 1929 the Dow Jones average closed at 381 -- 17 and people were very happy buying stocks on margin that work wonderfully and the roaring '20s had a good feeling toward with the auto coming of age today of air travel coming along and all kinds of new appliances and the telephone getting wider use, believe it or not, that hadn't really caught on that much prior there too, but the movies were coming on then, it was a happy place.

And then of course if we move to the next slide, we'll look at what happened in the couple of months after September 3. And the Dow Jones average almost got cut in half, and that was pretty impressive until we have this recent situation where in a shorter period of time we lost about a third, but the crash and there is a great book about it called the Great Crash by John Kenneth Galbraith -- interject one little plug here. There is a small business in Omaha, I had with us what truncating this meeting or change it could dramatically has done the many of the business in Omaha because I think small business is beneficial what were the beneficiaries of it really, we got a lot of business with Berkshire meeting and they're going to get it in the future, but they suffer during a period like this, and they just had a story about the Bookworm.

Well the Bookworm if you buy any books that come out of a, I think recommend think about -- put in a quarter bookworm on the line and The Great Crash has a wonderful book and John Kenneth Galbraith describes it, and but I would like to get into a bit of a personal note which will have some relevance not too much put some relevance to the story of the Great Depression because in 1929 my dad, who was 26 years of age then was employed as a security sales went by a local small bank and he sold stocks and bonds but he mostly -- sold stocks, and when stocks fall 48% and he was selling them to the people a few months ago, you really don't feel like going out and facing those same people, so I think my dad probably liked to do was, they say now, shelter in place, which means stay at home. And there really wasn't that much in our house, we just had a small yard, it was wintertime anyway, my dad wouldn't have been puttering on the yard anyway and the television wasn't there and he and my mother got along very well.

So under those conditions, if you'll turn to the next slide, I was born about nine months later. But at that time -- I was actually born on August 30, but the stock market was closed that day and so I'm using the previous day figures. But it wasn't -- I didn't notice at the time that the market was closed, but the stock market had actually recovered over 20% during that 9.5 month period or thereabout.

People did not think in the fall of 1930, they did not think they were in a great depression. They thought it was a recession very much like had occurred at least a dozen times, although not always when stock markets were important. But then we do have many recessions in the United States over that time and this did not look like it was something dramatically out of the ordinary. But and for a while, actually for about 10 days after my birth, I'd be well [ph] on the earth and the stock market actually managed to go up all of 1% or 2% there in those 10 days.

But that's the last day, well from that point, if you'll turn to the next slide, the stock market went from level of 240 to 241, which was a noticeable decline, because if somebody had given me $1,000 on the day I was born, and I'd bought stocks with it and bought the Dow Average my $1,000 would have become $170 in less than two years. And that is something that none of us here have ever experienced that we may have had it with one stock occasionally, but in terms of having a broad range of America mark down 83% in two years, and mark down 89% of the peak, that was in September 3rd, 1929, was extraordinary.

And in that intervening period, less than one year after I was born, just slightly less than one year, my dad went to the bank where he worked and had his account, and of course the bank had a sign out of closed and so he had no job, and he had two kids at that point, and his father had a grocery store, but Charlie and I both worked for my grandfather. Charlie worked there in 1940, I worked there in 1941, so we didn't know each other, but my grandfather said to my father that, don't worry about your groceries, Howard, he says, I'll just let your bill run.

That was my grandfather's word exactly, he cared about his family but he wasn't going to go crazy, and one of the things as I look back on that period is, and I don't think the economists generally like to give it that much of a point of importance, but if we'd had the FDIC 10 years earlier, the FDIC started on January 1st, 1934, it was part of the sweeping legislation that took place when Roosevelt came in, but if we'd had the FDIC we would have had a much, much different experience, I believe, in the great depression.

People blaming on smooth hall here, and they -- I mean, there's all kinds of things, and the margin requirements in '29, and all of those things entered into creating a recession, but if you have over 4,000 banks fail, that's 4,000 local experiences where people save, and save, and save, and put their money away, and then someday they reach for it and it's gone, and that happens in all 48 states, and it happens to your neighbors, and it happens to your relatives, it has to have an effect on the psyche that's incredible.

So one very, very, very good thing that came out of the depression, in my view, is the FDIC, and it would have been a somewhat different world, I'm sure, if the bank failures hadn't just rolled across this country, and with people that thought that they were savers find out that they had nothing when they went there and there was a sign that said, closed.

Incidentally, the FDIC, I think very few people know this, but -- or at least they don't appreciate it. But the FDIC has not cost the American tax payer a dime, I mean, its expenses have been paid, its losses have been paid all through assessments on banks, it's been a mutual insurance company of the banks backed by the federal government, and associated with the federal government, but now it holds $100 billion and that consists of premiums that were paid in an investment income on the premium, plus the expenses, and paying of all the losses, and think of the incredible amount of peace of mind that's given to people that were not similarly situated when the great depression hit.

So the great depression went on, and it lasted a very long time, but it lasted a lot longer in the minds of people than it did actually in its effects. World War II came along, and on sort of an involuntary manner we adopted Keynesianism, we started running fiscal deficits, of course, that were absolutely huge, and took our debt up to a percentage of GDP, which we had never reached before, and never have reached since.

So we had an enormous economic recovery, but the minds of people had been so scarred, the memories, parents told their children, 1929 became a symbol in people's minds, I mean, if you said 1929 it was like saying 1776 or 1492. I mean, everybody knew exactly what you were talking about, and it affected stock prices in a rather remarkable way to the point, if you'll change to the next slide, it was January 4th of 1951 that the kid who was born on August 30th in 1930 had finished college before the stock market. So take the years from 1920, 1930, or 1929 really into the 1951, or take the year from my birth, 20 years, and bear in mind that the country was only 140 years old when they started, that's 20 years out of this amazing 231-year lifetime of our country, that was flat out a time of for a long time with no economic growth, and no feeling by people in terms about the wealth of the country, about what American economy was worth, about all these corporations that were doing far, far, far better than they were, all in all, but it took all of that time to restore in the market a price level that was equal to what it was when I was born 20 years earlier.

So, if you think about the fact that we're enduring a few months, and we'll endure some many more months, and we don't know how it comes out, and people in the '30s didn't know how it was going to come out, but they endured, persevered, prospered, and the American miracle continued. But it's interesting in that I actually don't have a slide for the next one, because last night I was thinking after all the slides had been prepared, I was actually thinking about this a little bit, and I remembered that at the start of 1954 the stock market was, the Dow was only at about 280, and I remember 1954 because it was the best year I ever had in the stock market.

And the Dow went from essentially what? 280 or thereabout at the start of the year, to a little over 400 at the end of the year, and when it went to 400, as soon as it went across 381, that famous figure from 1929, when it went to 400, and this will be hard for some of you to believe, but everybody wondered. Is this 1929 all over again?

And that seems a little farfetched, because it was a different country in 1954, but that was the common question, and it actually achieved such a level of worry about, whether we were about to jump off another cliff just because the 381 of 1929 had been exceeded, that they held, Senator Fulbright, Bill Fulbright of Arkansas, who became very famous later in terms of the foreign relations committee, but he headed the Senate Banking Committee, and he called a special per special investigation, and he calls it the, what did he call it? The stock market study, but it really, if you read through it, he really was questioning whether we had built another house of cards again, and on this committee, it's interesting to see the Senate Finance Committee, one of the members was Prescott Bush, the father of George H. W. Bush, and grandfather of George W. Bush, and it had some illustrious names.

His committee, in March of 1955, with a Dow of 405, assembled 20 of the best minds in the United States to testify, as to whether we were going crazy again, because the market was at 400, the Dow was at 400, and we had gotten in this incredible trouble before, but that was the mindset of the country, it's incredible.

We didn't really believe America was what it was, and my was, the reason I'm familiar with this 1000-page book that I have here, I found it last night in the library, was that I was working in New York for one of the 20 people that was called down to testify before Senator Fulbright, and he testified right before Bill Martin, who was running the Federal Reserve, testified, and right after General Wood who was running shares testified, theirs was very, very important then, and Bill Martin of course was the fellow that longest running chairman in the history of the Fed, and he's the one that gave the famous quote about the function of the Fed was to take away the punch balls just when the party started to get really warmed up.

But Ben Graham, my boss, sent me over to the public library in New York to gather some information for him, something he could do in five minutes with a computer now, and I dug out something, and he went to testify, and on page 545 of this book, I knew where to look, I didn't have to go through it all, but the quote which I remember, and I remember because Ben Graham was one of the three smartest people I've met in my life, and he was the dean of people in securities business, he wrote the classic Security Analysis book in 1934, he wrote the book that changed my life, Intelligent Investor in 1949, he was unbelievably smart.

And when he testified, with the Dow at 404, he had one line in there right toward the start in his written testimony, and he said, the stock market is high, looks high, it is high, but it's not as high as it looks. But he said, it is high. And since that time, if we'll turn to the next slide, of course, we felt the American tailwind at full force, and the Dow, well let's see, when the Dow was -- it went down on Friday, but when we made the slide it was about 24,000 so you're looking at a market today that has produced $100 for every dollar, all you did was you had to believe in American just by a cross-section of America, you didn't have to read the Wall Street Journal, you didn't have to look up the price of your stock, you didn't have to pay a lot of money in fees to anybody, you just had to believe that the American miracle was intact, is this 1929 all over again?

But you'd had this testing period between 1929 and well really certainly 1954, as indicated by what happened when it got back up to 380, you had this testing period, and people really they'd lost faith to some degree, they just didn't see the potential of what America could do. We found that nothing can stop America when you get right down to it, and it's been true all along, it may have been interrupted.

One of the scariest of scenarios, when you had a war with one group of States fighting another group of States, and it may have been tested again in the great depression, and it may be tested now to some degree, but in the end the answer is never bet against America and that in my view is as true today as it was in 1789, and even was true during the civil war, and the depths of the depression.

Now, I'm now about to say something that -- and don't change the slide yet. I'm now about to say something that some of you will be tempted to argue with me about, but I wouldn't make the case that we are imperfect in a great, great, great many ways, but I would say, and if you put up the next slide, that we are now a better country, as well as an incredibly more wealthy country than we were in 1789. We're far, far, far from what we should be, will be, but we have gone dramatically in the right direction.

It's interesting, we said in 1776 -- we said, we hold these truths to be self-evident that all men are created equal, endowed by their creator with certain unalienable rights, among these are life, liberty, and pursuit of happiness. And yet, 14 years later, a year after we really officially began the country in 1789, adopted a constitution. We found that more than 15% of the people in the country were slaves, and we wrestled with that, but when you say the word self-evident, that sort of sounds like you're saying any damn fool who can recognize that, and you certainly say, he can argue maybe a little bit about life, and the pursuit of happiness, but I don't see how in the world anybody can reconcile liberty with the idea that 15% of the population was enslaved, and it took us a long time to at least partially correct that.

Like I mean, it took a civil war, it took losing 6% of those people, that males that were between 18 and 60 years of age, but we've moved in the right direction, we've got a long ways to go, but we've moved in the right direction now. In addition, going back again to that 1776 statement, that all men are created equal and endowed by their creator, et cetera.

I think, it was self-evident to the 50% of the population that they were getting a fair deal for over half the lifetime of the country. It took 131 years, other countries 231 years to go 131 years until women were guaranteed the right to vote for our country's leader. And then what's even more remarkable is that after we adopted them, the 19th amendment, 1920, it took 61 more years until a woman was allowed to join those eight males on the Supreme Court. I grew up thinking that the Supreme Court must have been said there had to be nine men. But at 61 years, so took 192 years before Sandra Day O'Connor was appointed to the court and now you can say that there was a pipeline problem. Half the population may have been women in 1920, but there weren't half the lawyers, or I think were 10% of the lawyers probably.

So you can understand some delay, but 61 years is a long time to go and to pick 33 males in between. If that was entirely by chance, then the odds against that fewer flipping coins is about 8 billion to one, like I said, there was a pipeline problem. But it took us a long, long time and it's not done yet. But I think it does give meaning to the fact that we are a better society with a lot of room to go that we are a better society that existed in 1789. When you go to Colonial Williamsburg, I've been there a couple of times, as a matter of fact, I watched the debate between Jimmy Carter and Gerald Ford there in the 1976.

And it was not a great time to be black, it was not a great time to be a woman, and both of those categories still certainly got potential for significant improvement in terms of fulfilling that pledge made in 1776 about how we believe that it's self-evident that all men were created equal, but we have made progress, we are a better society, and we will, as the years go by. If you'll move to the next slide, and I believe that, and I think, let's see if I can get these slides in the proper order here. I believe that when you get through evaluating all of the qualitative facts, what we have done toward meeting the aspirations of what we wrote in 1776, what we wrote in 1776 wasn't a fact, but it was an aspirational document, and we have worked toward those aspirations, and we have a long way to go, but I'll repeat, if you move to the next slide, that never, never bet against America.

Now, let's move on now to a much broader subject, what I don't know. I don't know, and perhaps with a bias, I don't believe anybody knows what the market is going to do tomorrow, next week, next month, next year. I know America is going to move forward over time, but I don't know for sure, and we learned this on September 10th, 2001, and we learned it a few months ago in terms of the virus. Anything can happen in terms of markets, and you can bet on America, but you got to have to be careful about how you bet, simply because markets can do anything.

On October, whatever it was in 1987, October 11th I believe, a Monday, markets went down 22% in one day. In 1914, they closed the stock market for about four months, after 9/11 closed the market for four days, we hustled to get it going again, but nobody knows what's going to happen tomorrow. So when they tell you to bet on America, and I tell you that that's what's really gotten me in April, through ever since I was bought my first stock when I was 11, I mean I caught a huge, huge, huge tailwind in America, but it wasn't going to blow in my direction every single day, and you don't know what's going to happen tomorrow.

I would like to context to the present news, point out something you may find kind of interesting. If you go to YouTube, you'll find on June 17th, of 2015, four-plus years ago, you'll find Sam Nunn, that was one of the people I admire the most in the United States and in the world, enormous patriot and tremendous senator, and he's carried on thankless work since leaving the Senate, and heading something called the Nuclear Threat Initiative, which most of you haven't heard of, but I've been slightly involved in it, Sam Nunn founded that.

And, the Nuclear Threat Initiative is simply organizations that are devoted to trying to reduce the chances of something of a nuclear chemical, biological, and now cyber nature, from either malevolent or accidental or whatever may be, from causing deaths to millions of Americans, and among the things that Sam, co-founded it, but he's been the heart and soul of the organization subsequently, and he's talked about, worried about pandemics along with the nuclear threat for decades, and he's participated in war games where they play out various scenarios, including malevolent pandemics that could be started by the same kind of nut that sent the anthrax letters around the 9/11, a little after. And Sam paired down this YouTube presentation, and I'm sure he's been on many others I just happened to look this one up, and talked about the dangers of a pandemic, and anybody should listen to Sam Nunn anytime he talks. So he said at that time, germs don't have borders, which we certainly learned in the last couple of months.

And when I clicked on YouTube, if you'll go to the next, I found out that basically it had 831 views, and this was only a few days ago, I looked it up, but I don't know whether most of those views have just been the last few days, because -- or the last few months, I should say, because of the interest in pandemics, but it is hard to think about things that haven't happened yet. So we can experience, and when something like the current pandemic happens, it's hard to factor that in, and that's why you never want to use borrowed money, at least in my view, and then buy into investments.

And we run Berkshire that way, we run it so that we literally try to think of the worst case of not only just one thing going wrong, but other things going wrong at the same time, maybe partly caused by the first, but maybe independent even of the first. And you learned in, I don't know what grade now, probably earlier than when I went to school, but in fifth or sixth grade, that anything -- you can have any series of numbers times zero, and you just need one zero in there and the answer is zero, and there's no reason to use borrowed money to participate in the American tailwind, but there's every other reason to participate.

Now, I can't resist pointing out that in October of 2019, a large 300-page, I've got it right here, a book was brought out, and Johns Hopkins, one of the most respected institutions of the country, Nuclear Threat Initiative, NTI, and the Intelligence Group at The Economist collaborated to evaluate the problems of the worldwide preparedness for pandemics, essentially.

And I think in November, Sam came out to see me with Ernie, more recent former Secretary of Energy who now is the CEO of NTI. He and Sam are co-chairmen, and Beth Cameron who did a lot of work on this report came out to see me. And they gave me in November I believe of last year, they gave me this appraisal. And the opening line, if you'll turn the page, this is the opening line of this 300-page tome: Biological threats -- natural, intentional, or accidental -- in any country can pose risks to global health, international security, and the worldwide economy.

And this book was prepared in order to evaluate the preparedness of the various countries and rank them. We ranked pretty well, but all of us got a failing -- all of the countries got a failing grade, basically.

Now, you would think with the prestige of Johns Hopkins and The Economist, along with people like Sam and Ernie, et cetera., that this would've gotten some attention. And, again, Sam -- turn to the next page. Sam and the others went on YouTube on October 24, 2019, and they have racked up, as of a couple days ago, 1,498 views.

Now, my friend Bill Gates was delivering the same warning at a TED Talk some years back. And he's gotten a lot more views. But it just says something about the fact that you're going to get both from the blue, and you can read papers about them, and you can talk about what'll happen if some, as they used to, the fellows would say, Salomon used to tell me, some 25-sigma event comes along, and they'll then say that that'll happen once in the life of the universe. And then it happens to them a couple times in a month, and they go broke.

You just don't know what's going to happen. You know, at least in my view, you know that America's tailwind is not exhausted. You're going to get a fine result if you own equities over a long period of time. And the idea that equities will not produce better results than the 30-year Treasury bond, which yields 1.25% now, it's taxable income. It's the aim of the Federal Reserve to have 2% a year inflation. Equities are going to outperform that bond. They're going to outperform Treasury bills. They're going to outperform that money you've stuck under your mattress.

I mean, they are a enormously sound investment as long as they're an investment and they're not a gambling device or something that you think you can safely buy on margin or whatever it may be.

It's interesting that stocks offer, which, and stocks are a -- we always look at stocks as just being a part of a business. I mean, stocks are a small part of a business. If in 1789 you'd saved a small amount of money and it wasn't easy to save, you might've bought with those savings, you might've bought a tiny, tiny plot of property.

Maybe you bought a house that could be rented to somebody, but you didn't really have the chance to buy in with 10 different people who were developing businesses, and who were presumably putting their own money in, and that would have the American tailwind behind. And of the 10, a reasonably high percentage would succeed in a way and earn decent returns, but those are the choices. You might have had to do with savings.

And they started offering bonds originally. And there again you got a limited return. But the return in those days may have been 5% or 6% or something of the sort. But you can't buy risk-free bonds. I mean, the yardstick for me is always the U.S. Treasury. And when somebody offers you quite a bit more than the U.S. Treasury, there's usually a reason. There's much more risk.

But going back to stocks, people bring the attitude to them too often that because they are liquid and quoted minute by minute that it's an important that you develop an opinion on them minute by minute. Now, that's really foolish when you think about. And that's something Graham taught me in 1949, I mean, that single thought, that stocks were parts of businesses and not just little things that moved around on charts or-- charts were very popular in those days, and whatever it may be.

Imagine for a moment that you decided to invest money now, and you bought a farm. And the farmland around here, let's say you bought 160 acres, and you bought it at x per share, or per acre. And the farmer next to you had 160 identical acres, same contour, same quality, soil quality, so it was identical. And that farmer next door to you was a very peculiar character because every day that farmer with the identical farm said, I'll sell you my farm, or I'll buy your farm at a certain price, which he would name.

Now, that's a very obliging neighbor. I mean, that's got to be a plus to have a fellow like that with the next farm. You don't get that with farms, you get it with stocks. You want 100 shares of General Motors, and then on Monday morning, somebody will buy you 100 shares or sell you another 100 shares at exactly the same price. And that goes on, I don't know, five days a week.

But just imagine if you had a farmer doing that. When you bought the farm, you looked at what the farm would produce. That was what went through your mind. You were saying to yourself, I'm paying x dollars per acre. I think I'll get so many bushels of corn or soybeans on average, some years good, some years bad. And some years the price will be good. Some years the price will be bad, et cetera.

But you think about the potential of the farm, and now we get this idiot that buys the farm next to you, and on top of that, he's sort of a manic depressive and drinks, maybe smokes a little pot. So his numbers just go all over the place. Now, the only thing you have to do is to remember that this guy next door is there to serve you and not to instruct you. You bought the farm because you thought the farm had the potential. You don't really need a quote on it. If you bought in with John D. Rockefeller or Andrew Carnegie, and there were never any quotes. Well, there were quotes later on, but basically you bought into the business. And that's what you're doing when you buy stocks. But you get this added advantage, that you do have this neighbor who you're not obliged to listen to at all who is going to give you a price every day. And he's going to have his ups and downs and maybe he'll name a selling price that they'll buy at and in which case you sell if you want to or maybe he'll name a very low price, and you'll buy his farm from him.

But you don't have to and you don't want to put yourself in a position to where you have to. So stocks have this enormous inherent advantage of people yelling out prices all the time to you and many people turn that into a disadvantage. And of course, many people can profit in one way or another from telling you that they can tell you what this farmer's going to yell out tomorrow or next. Your neighboring farmer's going to yell out tomorrow or next week or next month. There's huge money it.

So people tell you that it's important, and they know and that you should pay a lot of attention to their thoughts about what price changes should be, or you tell yourself that there should be this great difference. But the truth is, if you own the businesses you liked, prior to the virus arriving, it changes prices and it changes -- but nobody's forcing you to sell. And if you really like the business and you like the management you're in with and the business hasn't fundamentally changed and I'll get to that a little when I report on Berkshire, which I will soon, I promise.

The stocks have an enormous advantage. And you still can bet on America, but you can't bet unless you're willing and have an outlook to independently decide that you want to own a cross section of America, because I don't think most people are in a position to pick single stocks. A few may be, but on balance I think people are much better off buying a cross section of America and just forgetting about it. If you'd done that, if I'd done that, when I'd got out of college, it's all I had to do to make 100 for 1 and then collect dividends on top of it, which increased -- would increase substantially over time.

The American tailwind is marvelous, American business represents and it's going to have interruptions and you're not going to foresee the interruption, and you don't want to get yourself in a position, where those interruptions can affect you, either because you're leveraged or because you're psychologically unable to handle, looking at a bunch of numbers.

If you really had a farm, and you had this neighbor and one day he offered you $2,000 an acre and the next day he offers you $1,200 an acre. And maybe the day after that he offers you $800 an acre. Are you really going to feel that at $2,000 an acre when you had evaluated what the farm would produce, are you going to let this guy drive you into thinking, I better sell because this number keeps coming in lower all the time? It's a very,

very, very important matter to bring the right psychological approach to owning common stocks.

But I will tell you, if you bet on America and sustain that position for decades, you're going to do better than, in my view, far better than owning Treasury securities or far better than following people who tell you that what the farmer's going to yell out next -- there's huge amounts of money that people pay for advice they really don't need and for advice where the person giving it could be very well-meaning in it and believe their own line. But the truth is that you can't deliver superior results to everybody by just having them trade around a business.

If you bought into a business, it's going to deliver what the business produces. And the idea that you're going to outsmart the person next to you, or the person advising you can outsmart the person sitting next to you is, well, it's really the wrong approach.

So find businesses. Get a cross section. And in my view, for most people, the best thing to do is to own the S&P 500 index fund. People will try and sell you other things because there's more money in it for them if they do. And I'm not saying that that's a conscious act on their part.

Most good salespeople believe their own baloney. I mean, that's part of being a good salesperson. And I'm sure I've done plenty of that in my life too, but it's very human if you keep repeating something often enough. That's why lawyers have the witnesses keep saying things over and over again, that by the time they get on the witness stand, they'll believe it whether it was true in the first place or not.

But you are dealing with something fundamentally advantageous, in my view, in only common stocks. I will bet on America the rest of my life. And I hope my successors at Berkshire do it. Now, we do it in two different ways. We do it by buying entire businesses, and we buy parts of businesses.

And I would like to emphasize that -- well, I'd like to give you a few figures that will tie in from our activities in the first quarter and also what we've done in April. We are not right about, we do try to pick the businesses that we think we understand. We don't buy the S&P 500 and we like to buy the entire businesses when we buy them. But we don't get a chance to do that very often. Most of the best businesses are not available for sale in their entirety. But we don't mind in the least buying partial interest in businesses.

And we would rather own 6% or 7% or 8% of a wonderful company and regard it as a partnership interest, essentially in that company. And then we get an opportunity to do that through marketable securities and sometimes we get more opportunities than others. And with that, I hope I've convinced you to bet on America. Not saying that this is the right time to buy stocks, if you mean by right? That they're going to go up instead of down. I don't know where they're going to go in the next day or week or month or year.

But I hope, I know enough to know. Well, I think I can buy a cross section and do fine over 20 or 30 years. And you may think that's kind of, for a guy, 89, that's kind of an optimistic viewpoint. But I hope that really everybody would buy stocks with the idea that they're buying, partnerships and businesses and they wouldn't look at them as chips to move around up or down.

So we will just now take a quick look and I see we've got the Becky's email address. So if you have questions on what I've said or other things, you can email these questions and she is back there, probably sort of a madhouse trying to handle questions coming in and pick out the ones she's going to prioritize. But feel free do anything I've talked about so far, to send a long to her and we'll keep her address up, when I later hold the formal part of the meeting too. Very briefly in terms of Berkshire, in the first quarter, if you'll put up.

Do we have the slides on that? Our operating earnings were -- and there's much more about this and it's really not worth spending any real time on. But the operating earnings for the first quarter have no meaning whatsoever in terms of forecasting what's going to happen the next year.

And I don't know the consequences of shutting down the American economy. I know eventually it will work, whatever we do. We may make mistakes. We will make mistakes, and during this talk and later on, I'm not going to be second-guessing people on this because nobody knows for sure what any alternative action would produce or anything short.

But what we do know is that for some period, certainly during the balance of the year, but it could go on a considerable period of time, who knows, but our operating earnings will be less, considerably less than if the virus hadn't come along. I mean, that's just it. It hurts some of our businesses a lot. I mean, you shut down. Some of our businesses effectively have been shut down.

It affects others much less. Our three major businesses of insurance and the BNSF railroad, railroad and our energy business, those are our three largest by some margin. They're in a reasonably decent position. They will spend more than their depreciation. So some of the earnings will go, along with depreciation, will go toward increasing fixed assets.

But basically these businesses will produce cash even though their earnings decline somewhat. And if we'll go to part two, at Berkshire, we keep ourselves in an extraordinary strong position. We'll always do that --that's just fundamental. We insure people. We're a specialist to some extent and a leader. It's not our main business, but we sell structured settlements. That means somebody gets in a terrible accident, usually an auto accident, and they're going to require care for 10, 30, 50 years.

And their family or their lawyer is wise enough, in our view, to rather than take some big cash settlement to essentially arrange to have money paid over the lifetime of the individual to take care of their medical wills, bills, or whatever it may be. And we're large. We've got many, many, many people that in effect have staked their well-being on the promises of Berkshire to take care of them for, like I say, I mean, 50 years or longer into the future.

And, now, I would never take real chances with money, of other people's money under any circumstances. Both Charlie and I come from a background where we ran partnerships. I started mine in 1956 for really seven either actual family members or the equivalent. And Charlie did the same thing six years later. And we never, neither one of us, I think, I know I didn't, and I'm virtually certain the same is true of Charlie, neither one of us ever had a single institution investment with us.

I mean, every single bit of money we managed for other people was from individuals, people with faces attached to them, or entities, or money with faces attached to them. So we've always felt that our job is basically that of a trustee, and hopefully a reasonably smart trustee in terms of what we were trying to accomplish. But the trustee aspect has been very important. And it's true for the people with the structured settlements. It's true for up and down the line. But it's true for the owners very much too. So we always operate from a position of strength.

Now, I show on the slide that's up, I show our --well, let's go back one. Yeah. I show our net, our cash and Treasury bill position on March 31st. And you might look at that and say, well, you've got $125 billion or so in cash and Treasury bills. And you've got -- at least at that point, we had about, I don't know, $180 billion or so in equities.

And you can say, well, that's a huge position to have in Treasury bills versus just $180 billion in equities. But we really have far more than that in equities because we own a lot of businesses. We own 100% of the stock of a great many businesses, which to us are very similar to the marketable stocks we own. We just don't own them all. They don't have a quote on them.

But we have hundreds of billions of wholly owned businesses. So our $124 billion is not some 40% or so cash positions, it's far less than that. And we will always keep plenty of cash on hand. And for any circumstances, with a 9/11 comes along, if the stock market is closed, as it was in World War-I, it's not going to be. But I didn't think we were going to be having a pandemic when I watched that Creighton-Villanova game in January either.

So we want to be in a position at Berkshire, where -- you remember Blanche DuBois in A Streetcar Named Desire? That goes back before many of you. But she said, she didn't want them. In Blanche's case, she said that she is depended on the kindness of strangers. And we don't want to be dependent on the kindness of friends even, because there are times when money almost stops. And we had one of those interestingly enough. We had it of course in 2008 and '09. But right around in the day or two, leading up to March 23, we came very close, but fortunately we had a Federal Reserve that knew what to do. But money was -- investment-grade companies were essentially going to be frozen out of the market.

CFOs all over the country had been taught to sort of maximize returns on equity capital, so they financed themselves to some extent through commercial paper, because that was very cheap and it was backed up by bank lines and all of that. And they let the debt creep up quite a bit in many companies. And then of course they had the hell scared out of them by what was happening in markets, particularly the equity markets.

And so they rushed to draw down lines of credit and that surprised people who had extended those lines of credit, they got very nervous. And the capacity of Wall Street to absorb a rush to liquidity that was taking place in mid-March was strained to the limit to the point, where the Federal Reserve observing these markets, decided they had to move in a very big way. We got to the point where the US Treasury market, the deepest of all markets, got somewhat disorganized. And when that happens, believe me, every bank and CFO in the country knows is, and they react with fear. And fear is the most contagious disease you can imagine; it makes the virus look like a piker.

And we came very close to having a total freeze of credit to the largest companies in the world who were depending on it. And to the great credit of Jay Powell, I've always had Paul Volcker up on a special place, special pedestal in terms of Federal Reserve chairman over the years. We've had a lot of very good Fed chairmen, but Paul Volcker, I had him at the top of the list. And I'll recommend another, but Paul Volcker died about, I don't know, less than maybe a year ago or a little less.

But not much before he died, he wrote a book called Keeping at it. And if you call my friends at the Bookworm, I think you'll enjoy reading that book. Paul Volcker was a giant in many ways. He was a big guy too. He and Jay Powell, couldn't see more in temperament or anything, but Jay Powell, in my view, in the Fed board belong up there on that pedestal with him because they acted in the middle of March, probably somewhat instructed by what they'd seen in 2008 and '09. They reacted in a huge way and essentially allowed what's happened since that time to play out the way it has.

And then March, when the market had essentially frozen, closed a little after mid-month, ended up, because the Fed took these actions on March 23rd, it ended up being the largest month for corporate debt issuance I believe in history. And then April followed through with even a larger month. And you saw all kinds of companies grabbing everything, coming to market and spreads actually narrow then. And every one of those people that issued bonds in late March and April, I sent a thank you letter to the Fed because it would not have happened if they hadn't operated with really unprecedented speed and determination.

And we'll know the consequences of swelling the Fed's balance sheet. You can look at the Fed's balance sheet. They put it out look at the Fed's balance sheet. They put it out every Thursday. It's kind of interesting reading if you're sort of a nut like me. But it's up there on the Internet every Thursday. And you'll see some extraordinary changes there in the last six or seven weeks.

And like I say, we don't know what the consequences of that, and nobody does exactly. And we don't know the consequences of what undoubtedly we'll have to do. But we do know the consequences of doing nothing. And that would've been the tendency of the Fed in many years past, not doing nothing, but doing something inadequate. But more (inaudible) brought the whatever it takes to Europe and the Fed, then with March, sort of did whatever it takes, squared, and we owe them a huge thank you. But we're prepared at Berkshire. We always prepare on the basis that maybe the Fed will not have a chairman that acts like that. And we really want to be prepared for anything. So that explains some of the $124 billion in cash and bills. We don't need it all. But we do never want to be dependent on not only the kindness of strangers, but the kindness of friends.

Now, in the next slide, we have the what we did in equities, and these numbers are tiny when you get right down to it. I mean, for having $500 billion or so in net worth and -- I mean, not net worth, but in market value at the start of the year or something close to that. We bought in $1.7 billion of stock, and our purchases were a couple of billion more than our sales of equities. But as you saw in the previous slide, we had operating earnings of almost $6 billion. And so we did very little in the first quarter. And then I've added in another figure, which I wouldn't normally present to you. But I want to be sure that if I'm talking to you about investments and stocks more than I usually have, I want you to know what Berkshire's actually doing.

Now, you'll see in the month of April that we net sold $6 billion or so of securities. And that's basically -- that isn't because we thought the stock market was going to go down or anything of the sort or because somebody changes their target price or they change this year's earnings forecast. I just decided that I'd made a mistake in evaluating. That was an understandable mistake. It was a probability-weighted decision when we bought that, we were getting an attractive amount for our money when investing across the airlines business. So we bought roughly 10% of the four largest airlines, and we probably -- this doesn't -- is not 100% of what we did in April, but we probably paid $7 billion or $8 billion and then somewhere between $7 billion and $8 billion to own 10% of the four large companies in the airline business, and we felt for that, we were getting $1 billion roughly of earnings.

Now we weren't getting $1 billion of dividends, but we felt our share of the underlying earnings was $1 billion and we felt that that number was more likely to go up than down over a period of time, and it would be cyclical obviously, but it was as if we bought the whole company. But we bought it through the New York Stock Exchange, and we can only effectively buy 10% roughly of the four. And we treat it mentally exactly as if we were buying a business. And it turned out I was wrong about that business because of something that was not in any way the fault of four excellent CEOs.

I mean, believe me, no joy being a CEO of an airline, but the companies we bought are well managed. They did a lot of things right. It's a very, very, very difficult business because you're dealing with millions of people every day, and if something goes wrong for 1% of them, they are very unhappy. So I don't envy anybody the job of being CEO of an airline, but I particularly don't enjoy being it in a period like this, where essentially nobody -- people have been told basically not to fly. I've been told not to fly for a while. I'm looking forward to flying. I may not fly commercial, but that's another question.

The airline business, and I may be wrong and I hope I'm wrong, but I think it changed in a very major way, and it's obviously changed in the fact that the four companies are each going to borrow perhaps an average of at least $10 billion or $12 billion each where you have to pay that back out of earnings over some period of time. I mean, you're $10 billion or $12 billion worse off if that happens. And of course in some cases they're having to sell stock or sell the right to buy a stock at these prices and that takes away from the upside down. And I don't know whether it's two or three years now that as many people will fly as many passenger miles as they did it last year. They may and they may not, but the future is much less clear to me, how the business will turn out through absolutely no fault of the airlines themselves.

That's something that was a low probability event happened, and it happened to hurt particularly the travel business, the hotel business, cruise business, the theme park business. But the airline business in particular. And of course the airline business has the problem that if the business comes back 70% or 80%, the aircraft don't disappear. So you've got too many planes, but it didn't look that way when the orders were placed a few months ago, when arrangements were made.

But the world changed for airlines and I wish them well, but it's one of the businesses we have. We have businesses we own directly that are going to be hurt significantly. The virus will cost Berkshire money. It doesn't cost money, because of our stock. And various other businesses moves around. I mean, if X, Y, Z, which say is one of our holdings and we own it as a business and we liked the business, the stock was down 20% or 30% or 40%. We don't feel we're poor in that situation. We felt we were poor in terms of what actually happened to those airline businesses, just as if we don't a 100% of them.

So that explains those sales, which are relatively minor, but I want to make sure that nobody thinks that involves a market prediction. And that pretty well wraps it up for Berkshire. So now we move into the formal part of the meeting, which will be followed by a fairly extended question-and-answer period, if there are a lot of questions with Becky. And while we're doing this formal part of the meeting, it's not too exciting. So feel free to leave whatever you're viewing this through, and if you want to send questions to Becky, we'll keep her contact information up on the screen. Or if you want to fix yourself a sandwich or do anything else, we will now move or you can pay attention to the formal part of the meeting. But we will do this, and it won't take too long, and then we will move on to the question and answer meeting.

So with that, I will call the meeting to order. And this follows the script, if you can't tell by what I'm saying. I'm Warren Buffett, chairman of the board of directors of the company, and I welcome you to this 2020 annual meeting of shareholders. Marc Hamburg is secretary of Berkshire Hathaway, and he will make a written record of the proceedings. Dan Jaksich has been appointed inspector of elections at this meeting. He will certify to the count of votes cast in the election for directors and the motions to be voted upon at this meeting.

The name 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?

Marc D. Hamburg {BIO 1406528 <GO>}

Yes I do. As indicated in the proxy statement that accompanied this note, the notice of this meeting that was sent to all shareholders of record on March 4th, 2020, the record date for this meeting, there were 699,123 shares of class A Berkshire Hathaway common stock outstanding, with each share entitled to one vote on motions considered at the meeting, and 1,382,352, 370 shares of class B Berkshire Hathaway common stock outstanding, with each share entitled to one 10000th of one vote on motions considered at the meeting. Of that number, 472,037 class A shares and 834,802,274 class B shares are represented at this meeting by proxies returned through Thursday evening, April 30th. Thank you. That number represents a quorum, and we will therefore directly proceed with the meeting. First order of business will be a reading of the minutes of the last meeting of shareholders. I recognize Miss Debbie Bosanek who will put some motion before the meeting.

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.

Warren Edward Buffett {BIO 1387055 <GO>}

Do I hear a second?

Unidentified Speaker

I second the motion.

Warren Edward Buffett {BIO 1387055 <GO>}

The motion is carried. The 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.

Debbie Bosanek {BIO 1703711 <GO>}

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

Unidentified Speaker

I second the motion.

Warren Edward Buffett {BIO 1387055 <GO>}

It has been moved in second of that Warren Buffett, Charles Munger, Gregory Abel, Howard Buffett, Steve Burke, Ken Chenault, Susan Decker, David Gottesman, Charlotte Guyman, Ajit Jain, Tom Murphy, Ron Olson, Walter Scott, and Meryl Witmer be elected as directors. The nominations are ready to be acted upon. Mr. Jaksich, When you're ready, you may give your report.

Daniel Jaksich {BIO 1406589 <GO>}

My report is ready. The ballot of the proxy holders in response to proxies that were received through last Thursday evening cast not less than 543,203 votes for each nominee. That number exceeds a majority of the number of the total votes of all class A and class B shares outstanding. The certification required by Delaware law of the precise count of the votes will be given to the secretary to be placed with the minutes of this meeting.

Warren Edward Buffett {BIO 1387055 <GO>}

Thank you. Mr. Jaksich. Warren Buffett, Charles Munger, Greg Abel, Howard Buffett, Steve Burke, Ken Chenault, Susan Decker, David Gottesman, Charlotte Guyman, Ajit Jain, Tom Murphy, Ron Olson, Walter Scott, and Meryl Witmer have been elected as directors. And Ken, if you're watching or listening. Ken Chenault, our new director, actually got the highest vote of all the directors, well ahead of me I might add, so congratulations Ken. The next item on the agenda is an advisory vote on the compensation of Berkshire Hathaway's executive officers. I recognize Miss Debbie Bosanek to place a motion before the meeting on this item.

Debbie Bosanek {BIO 1703711 <GO>}

I move that the shareholders of the company approve on an advisory basis the compensation paid to the company's named executive officers as disclosed pursuant to item 402 of regulation SK, including the compensation discussion and analysis, the accompanying compensation tables, and the related narrative discussion in the company's 2020 annual meeting proxy statement.

Unidentified Speaker

I second the motion.

Warren Edward Buffett {BIO 1387055 <GO>}

It has been moved and seconded that the shareholders of that company approve on an advisory basis the compensation paid at the company's named executive officers. Mr. Jaksich, when you are ready you may give your report.

Daniel Jaksich {BIO 1406589 <GO>}

My report is ready. The ballot of the proxy holders in response to proxies that were received through last Thursday evening cast not less than 519,750 votes to approve on an advisory basis the compensation to the company's named executive officers. The compensation paid to the company's named executive officers. That number exceeds a majority of the number of the total votes of all class A and class B shares outstanding. The certification required by Delaware law of the precise count of the votes will be given to the Secretary to be placed with the minutes of this meeting.

Warren Edward Buffett {BIO 1387055 <GO>}

Thank you, Mr. Jaksich. The motion to approve on an advisory basis the compensation paid at the company's named executive officers has passed. The next item on the agenda is an advisory vote on the frequency of shareholder advisory vote on compensation of Berkshire Hathaway's executive officers. I recognize Ms. Debbie Bosanek to place a motion before the meeting on this item.

Debbie Bosanek {BIO 1703711 <GO>}

I move that the shareholders of the company determine on an advisory basis the frequency whether annual, biennial, or triennial, with which they shall have an advisory vote on the compensation paid to the company's named executive officers as set forth in the company's 2020 annual meeting proxy statement. I second the motion.

Warren Edward Buffett {BIO 1387055 <GO>}

It's been moved and seconded that the shareholders of the company determine the frequency with which they shall have an advisory vote on compensation of named executive officers with the option being every one, two, or three years.

Mr. Jaksich, when you are ready, you may give your report.

Daniel Jaksich {BIO 1406589 <GO>}

My report is ready. The ballot of the proxy holders in response to proxies that were received through last Thursday evening casts 131,443 votes for a frequency of every year, 2,228 votes for a frequency of every two years and 419,984 votes for a frequency of every three years of an advisory vote on the compensation paid to the company's named executive officers. The certification required by Delaware law of the precise count of the votes will be given to the secretary to be placed with the minutes of this meeting.

Andrew Serwer

Thank you, Mr. Jaksich. The shareholders of the company have determined on an advisory basis that they shall have an advisory vote on the compensation paid to the company's named executive officers every three years.

Now, we're through with sort of the boiler plate resolutions in this. This next item is of more importance, and we have put up on the berkshirehathaway.com site some material relating to this motion, which I hope shareholders and others read, because it's important and it's, well, I'll describe it as the script says.

The next item of business is a motion put forth by the boards of trustees of the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund and the New York City Fire Pension Fund, collectively called the systems. The motion is set forth in the proxy statement. The motion requests that the company adopt the policy from proving board and top management diversity. The directors have recommended the shareholders vote against the proposal. I'd like to interrupt the script here just a second to point out that we -- when we saw that it would be impossible to have shareholders attend this meeting and traveling to Omaha and gathering -- and gatherings which really neither the governor, the mayor, the public safety people thought would be advisable.

We were hoping to have somebody from the controller's office come and present the motion and then have a good discussion at the meeting of the pros and cons, because it's a seriously important subject. And I can tell you on a personal basis, I think I'm in sync with the controller in terms of how he wants the world to evolve. But I just disagree on the specifics of this motion as applied to more generally and to Berkshire's board in particular.

And we've been very outspoken over the years. We've probably written more on qualifications for Directors than probably any public company, I can think of. And we've been consistent over the years and we've explained the reasons for our position and we know a great many people disagree with that position. So I -- welcomed the idea of really presenting to our meeting and having our shareholders hear what they had to say and evaluate what our thoughts were.

And when we had to essentially not allow shareholders at the meeting, we immediately got in touch with the controller's office. And we said, we'd make an exception, if anybody from the controller's office wanted to come out and present the proposition or the proposal and engage in our discussion of the pros and cons. And as you might expect, they were not in a position to send somebody. And so we offered -- we may have made it even in the first place, we'd be glad to have somebody introduce the motion on their behalf. And that we would also -- if they would send along a supporting statement, we would be glad to have the person that was their proxy in effect present the motion. We'd be happy to have them read the supporting statement, and we said we'd appreciate it if they keep it to five minutes or less.

And they wrote back immediately, or emailed back immediately, and said that they'd be delighted to do it that way and they'd even try and keep it down to three minutes. So they have sent a supporting statement, which is going to be read to you in a minute, and I'm glad they did it. I do hope shareholders will, or have already, and others will read. We'll listen to what the supporting statement says, and we'll also read the original arguments that they made in the proxy for their proposal, and they will read our reasons for voting against -- that suggest voting against, because it's an important topic. And I really hope that next year, if somebody from the controller's office wishes to come out, we'd be glad to have even a more fulsome discussion of the subject. So with that, I will now recognize Mr. Hamburg to read a statement prepared by the controller of the city of New York in support of the motion.

Marc D. Hamburg {BIO 1406528 <GO>}

Thank you. Mr. Chairman, members of the board, fellow share owners. I'm Marc Hamburg from Berkshire Hathaway, and I'm here to present proposal four on behalf of the New York City comptroller Scott Stringer and the New York City pension funds. The funds have approximately $211 billion in assets as of February, and our substantial longterm Berkshire Hathaway share owners with 2.5 million shares. Our proposal requests that Berkshire Hathaway board adopt a diversity search policy requiring that the initial candidates from which new director nominees and external CEOs are chosen include qualified female and racially or ethnically diverse candidates.

First of all, we would like to commend the directors for the addition of Mr. Kenneth Chenault and the fact that 21% of the board is made up of women. We would also like to recognize that the executive pipeline includes diverse candidates including Mr. Ajit Jain, another board member. Secondly, we applaud Mr. Buffett's recognition that women in the boardroom have historically been rare, and even more importantly that although women won the right to have their voices heard in a voting booth a century ago, attaining similar status in a board room remains a work in progress.

With our share owner proposal, what we are seeking is to nudge this particular process forward. Thirdly, one of the things that Mr. Buffett mentions is that he only buys businesses that have three criteria, the second of which is able and honest managers, and that the most important duty for a board is to find and retain a talented CEO. We would note that in reviewing Berkshire Hathaway's largest stock market holdings of businesses, all 10 of these companies have boards that meet our board diversity requirement. In essence, the companies that Berkshire Hathaway is found fit to invest in are those that have more diverse boards. Fourthly, we would like to clarify that through this shareholder proposal, we are not asking for the Berkshire Hathaway board, our guardians, to have a quantifiable end result in terms of its composition, but that an initial pool of candidates for a board seat include a woman and another individual who is racially or ethnically diverse.

We believe these candidates, if qualified, would also have very high integrity, business-savvy shareholder orientation, and a genuine interest in the company. According to a 2016 Harvard Business Review study, including more than one woman or a member of a racial minority in a finalist pool helps combat the unconscious biases amongst interviewers, and increases the likelihood of a diverse hire. What we are requesting is a small step in that direction to include diverse candidates at the beginning of the search. Finally, we would like to applaud Berkshire Hathaway's robust internal CEO succession plans. Our proposal states that a CEO diversity policy should only apply in the case of an external search. The New York City comptroller's office is disappointed that we never had the opportunity to discuss our proposal with directors or management, but remain open to constructive engagement. In the interim, we strongly urge Berkshire Hathaway share owners to support proposal four. Thank you. Okay, thanks Marc, and thank you to the comptroller for presenting that supporting statement. The motion is now ready to be acted upon. Mr. Jaksich, when you are ready, you may give your report.

Daniel Jaksich {BIO 1406589 <GO>}

My report is ready. The ballot of the proxy holders in response to the proxies that were received through last Thursday evening cast 65,925 votes for the motion, and 485,824 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, as well as all votes outstanding, the motion has failed. The certification required by Delaware law of the precise count of the votes will be given to the secretary to be placed with the minutes of this meeting.

Warren Edward Buffett {BIO 1387055 <GO>}

Thank you Mr. Jaksich. The proposal fails.

Debbie Bosanek {BIO 1703711 <GO>}

I move that this meeting be adjourned.

Unidentified Speaker

I second the motion to adjourn.

Warren Edward Buffett {BIO 1387055 <GO>}

The motion has been made and seconded. The meeting is adjourned. So thank you. I've just looked at my watch, and I talked a lot longer than I should have probably. That's not a unique experience of mine that just occurred. So now we're ready to have questions, which Becky quickly selected from those that's been forwarded to her directly and from Carol Loomis and Andrew Ross Sorkin, and Greg and I are available to be. We'll be answering them for some time. So Becky, you're on, and I hope, all the tech. I hope everything works.

Rebecca Quick {BIO 16400962 <GO>}

Yeah, Warren, I should tell you that since you put that address up on the screen, I've gotten more than 2,500 emails that have been coming in. So there is a lot of demand from shareholders wanting to get in and ask questions, and I'll ask some that we've compiled before and some that are coming in right now. The first question though comes from one that just came in based on the comments that you were actually saying. This is a question that comes from William Lewis. He said, Please, did I understand correctly Mr. Buffett, to say that Berkshire Hathaway sold its interest in four different airlines and if so, can you name them? Can the names of those airlines be identified?

Warren Edward Buffett {BIO 1387055 <GO>}

Yeah. I wouldn't normally talk about it, but I think it requires an explanation, and it requires an explanation that means we were not disappointed at all in the businesses that were being run and the management, but we did come to a different opinion on it. They're the four largest US airlines, that's American Airlines, and Delta Airlines, and Southwest Airlines, and United Continental. And I think collectively they probably, or at least 80% of the revenue passenger miles that is flowing in the United States. And they have significant international flying too, excluding Southwest. So we like those airlines, but we don't. The world has changed for the airlines, and I don't know how it's changed and I hope it corrects itself in a reasonably prompt way. I don't know whether the Americans will have now changed their habits or will change their habits, because of an extended period if it happens that we're semi shut down in the economy. I don't know whether the trends toward what people have been doing by phone. I mean, it's been seven weeks since I've had a haircut. It's been seven weeks since -- more than seven weeks since I put on attire. They think I've been -- just a question of which sweatsuit I wear. So who knows how we come out of this. But I think that there are certain industries and unfortunately I think the airline industry among others, that are really hurt by a forced and in fact shut down by events that are far beyond their control. Greg, would you like to add anything to that?

Gregory Edward Abel {BIO 1416724 <GO>}

Really nothing to add, Warren.

Warren Edward Buffett {BIO 1387055 <GO>}

Okay. We got another Charlie here.

Gregory Edward Abel {BIO 1416724 <GO>}

I didn't intend to use that as a line. But you've covered it well.

Warren Edward Buffett {BIO 1387055 <GO>}

We would have bought other airlines, too, incidentally, but those were the four big ones. Those were the ones we could put some money into and we put whatever it was, 7 billion or 8 billion into it. And we did not take out anything like 7 billion or 8 billion and that was my mistake. But it's always a problem if there are things on the lower levels of probabilities that happen sometimes and it happened to the airlines and I'm the one who made the decision.

Rebecca Quick {BIO 16400962 <GO>}

But Warren, just to clarify on his question. He asked, did you sell your whole stake in all four of those companies?

Warren Edward Buffett {BIO 1387055 <GO>}

The answer is yes. Yeah. When we sell something, very often it's going to be our entire stake. I mean we don't trim positions. That's just not the way we approach it any more than if we buy a 100% of a business, we're going to sell it down to 90% or 80%. I mean, if we like a business, we're going to buy as much of it as we can and keep it as long as we can. Well, when we change our mind go ahead, I'm sorry.

Rebecca Quick {BIO 16400962 <GO>}

All right, the next question -- no, go ahead. When you change your mind?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, when we change our mind, we don't take half measures or anything of the sort. So I was amazed at how frankly -- now, we were selling them at far lower prices than we paid. But I was amazed at the volume there. Airlines always trade in large volume relatively, but we have sold the entire positions.

Rebecca Quick {BIO 16400962 <GO>}

Okay. Thank you. The next question comes from Robert Tomas from Toronto, Canada and he says, Warren, why are you recommending listeners to buy now, yet you're not comfortable buying now as evidenced by your huge cash position?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, A, as I explained, the position isn't that huge when I look at worst case possibilities. I would say that there are things that I think are quite improbable. And I hope they don't happen, but that doesn't mean they won't happen. I mean, for example, in our insurance business, we could have the world's or the country's number one hurricane that it's ever had, but that doesn't preclude the fact that could have the biggest earthquake a month later. So we don't prepare ourselves for a single problem, we prepare ourselves for problems that sometimes create their own momentum. I mean, 2008 and then '09, you didn't see all the problems the first day, when what really kicked it off was when the Freddie and Fannie, the GSEs went into conservatorship in early-September. And then when money market funds broke the buck, I mean, there are things to trip other things, and we take a very much a worst case scenario into mind that probably is a considerably worse case than most people do.

So, I don't look at as huge, and I'm not recommending that people buy stocks today or tomorrow or next week or next month. I think it all depends on your circumstances, but you shouldn't buy stocks unless you expect, in my view, you expect to hold them for a very extended period and you are prepared financially and psychologically to hold them, the same way you would hold a farm and never look at a quote and never pay -- you don't need to pay attention to them. I mean, the main thing to do -- and you're not going to pick the bottom, and you're not going to -- nobody else can pick it for you or anything of the sort. You've got to be prepared when you buy a stock to have it go down 50% or more and be comfortable with it, as long as you're comfortable with the holding.

And I pointed out, I think a year, maybe two years ago on the Annual Report, just the one before this most recent one, I pointed out that there had been three times in Berkshire's history when the price of Berkshire stock went down 50%, three different times. Now if you hold it on borrowed money, you could have been cleaned out. There wasn't anything wrong with Berkshire when those three times occurred. But if you're going to look at the price of the stock and think that you have to act, because it's doing this or that, or somebody else tells you, how can you stay with that, when something else is going up or anything. You've got to be in the right psychological position. And frankly, some people are not really careful. Some people are more subject to fear than others.

It's like the virus. It strikes some people with a much greater ferocity than others. And fear is something I really never felt financially, but I don't think Charlie's felt it either. But some people can handle it psychologically. If they can't handle it psychologically, then you really shouldn't own stocks, because you're going to buy and sell them at the wrong time. And you should not count on somebody else telling you this. You should do something you understand yourself. If you don't understand it yourself, you're going to be affected by the next person you talk to. And so you should be in a position to hold, and I don't know whether today is a great day to buy stocks. I know it will work out over 20 or 30 years. I don't know whether it'll work out over two years at all. I have no idea whether you'll be ahead or behind on a stock you buy on Monday morning, or the market.

Rebecca Quick {BIO 16400962 <GO>}

Warren, the next question comes from Scott Kelly, and he writes in based on the numbers you just put up. He said, what did you spend the $426 million on equities in April? Was that adding to existing positions, or was that initiating new positions?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, I don't remember to tell you the truth, but one thing you have to allow for --well, these are the figures for Berkshire Hathaway, and they include both Todd Combs and Ted Weschler

Both Todd Combs and Ted Weschler, managed significant sums of money. So it could well be something they bought. It could be something I bought. $462 million is not much money at Berkshire. It's more to Todd and Ted than it is to me in terms of our positions.

But I literally have no memory of. We're not doing anything big obviously. We're willing to do something very big. I mean, you could come to me on Monday morning with something that involved $30 billion or $40 billion or $50 billion, and if we really liked what we were seeing, we would do it and that will happen someday.

If it happens in the market, we can't put it all in on one day or one week or one month. It took us months to build up our airline position. Many months. We were able to sell them faster than we bought them, but we were selling them at lower prices. So the 462 is essentially meaningless and it may not have even, probably was not mine.

Rebecca Quick {BIO 16400962 <GO>}

All right. This next question comes from Leanne Dar, and his question is, in the last financial crisis Berkshire acted as a lender of support for eight different deals. Despite the injection of expensive capital through preferred stocks and securing warrants, these companies were in fact paying for the sign of confidence from Berkshire in the midst of a crisis and that was invaluable. Today we have QE, infinity, low interest rates, and hungry hedge funds, even though the economy has deteriorated rapidly over the last few months, why have we not acted as a lender of support?

Unidentified Participant

Well, we haven't seen anything attractive. And frankly, wasn't predicated on this, but the Federal Reserve did the right thing and they did it very promptly, which they should have and I salute them for it. But that means that a lot of companies that needed money and probably should have done their financing a little earlier, but they're perfectly decent companies, got the chance to finance in huge ways in the last five weeks or thereabouts. I mean, it's set records. Some companies have come back twice, a number of very big companies that hadn't bothered him to extend out their borrowings, came a couple times. Berkshire actually raised some more money. We don't need it, but I think it's still a good idea over time. And then there are some pretty marginal companies that have also had access to money. So there is no shortage of funds at rates which we would not invest at.

So we have not done anything because we don't see anything that attractive to do. Now, that could change very quickly or it may not change. But in 2008 and 2009, the truth is we weren't buying those things to make a statement to the world. They may have made a statement to the world to some extent, and I'm glad that they did if they did, but we made them because they seemed intelligent things to do and markets were such that we didn't really have much competition. Now it turned out that we would have been a lot better off if we'd waited four or five months to do similar things. So my timing was actually terrible in 2008 or 2009, but what was available was so attracted that even though my timing was terrible, we still came out okay or a little bit better than okay.

But it was not -- what we did was not designed to make a statement. It was designed to take advantage of what we thought were very attractive terms, but they were terms that nobody else was willing to offer at that time, because the market was in a state of panic. And the market in equities was in a state of panic for a short period of time when the virus broke out or spread in the United States. And it became apparent and the debt market was frozen or in the process of freezing, and that changed dramatically when the Fed acted. But who knows what happens next week or next month or next year? The Fed doesn't know. I don't know, and nobody knows. There's a lot of different scenarios that can play out and under some scenarios we'll spend a lot of money and other scenarios we won't.

Greg, you've been watching what's been happening around Berkshire.

Gregory Edward Abel {BIO 1416724 <GO>}

Yeah. Well, I think your comment on the Fed, Warren has -- as you know, interestingly when it was first occurring, there were calls coming in. Not the size of transactions we're interested in nor companies we were inclined to act upon. But there was a general interest out there as people were in a difficult point in time I looking at their balance sheet and deciding what they were going to do. But the reality is, those companies were not of interest and post basically effectively March 23, the companies have been able to act.

And Warren touched on it, at Berkshire Hathaway Energy post the Fed action, we actually issued $4 billion of securities that was associated with debts or obligations. We had maturing some short term obligations we wanted to clearly lengthen out and we pre-funded one of our capital programs at Pacific Corp. with the thought this was the time to get the funds in place such that we could proceed with what is really an excellent opportunity both for Pacific Corporate customers and ultimately for the Berkshire shareholders. So we've taken action within Berkshire as Warren noted.

Warren Edward Buffett {BIO 1387055 <GO>}

This is a very good time to borrow money, which means it may not be such a great time to lend money, but it's good for the country that it's a good time to borrow money. Not good for Berkshire particularly. Although, we borrowed some money, we've put our money where our mouth is.

Rebecca Quick {BIO 16400962 <GO>}

That gets kind of to another question that came in from Mark McNicholas in Chicago, Illinois. He says, Berkshire itself as a Fort Knox like balance sheet, but some of its operating companies may be tight on cash during the pandemic. Would Berkshire consider sending cash to its operating companies to one, ensure that they can get through the pandemic and two, allow them to increase market share while their competitors struggle?

Warren Edward Buffett {BIO 1387055 <GO>}

Well. We've money do a few and we're in a position to do that. We're not going to send money and definitely there anything where it looks like their future is not. It's changed dramatically from what it was the year or so ago or just even six months ago. You know, we made that decision in terms of the airline business. We took money out of the business basically even at a substantial loss, and we will not fund a company that where we think that it's going to chew up money in the future.

We started out with a company like that in our textile business at Berkshire Hathaway in 1965 and we went for 20 years trying to think we could solve something that wasn't that solvable. So we are not in the business of subsidizing any companies with shareholders money. If people want to do that with their own money, but we're not going to do it on their behalf. But we have advanced money, we are perfectly ready to advance money.

Gaining market share and all that. That may happen, but the companies that need money probably, market share is not their number one problem. I'll put it that way. Greg, would you?

Gregory Edward Abel {BIO 1416724 <GO>}

Yeah. Well yeah. It's interesting when we look at our different companies as we went into the pandemic or we're addressing the COVID 19 crisis. Obviously the first focus by our management team and appropriately was our employees and effectively making sure they're safe and that the business environment we're in, that they could continue to operate. Then we quickly moved to looking at where our customers were in the cycle, I.E. What was the underlying demand within the business? And to great credit to our managers, they very much have adjusted their businesses consistent with the underlying needs and demands of our customer.

So effectively they're moving with the customer, meaning very few of our businesses have actually required funds. Some have. And as Warren said, we've advanced the funds to them, but the businesses have really reacted in a way where they're managing consistent with where the market's at. I.E., the demand for their products.

Warren Edward Buffett {BIO 1387055 <GO>}

Berkshire is almost certain to generate cash. I mean nothing's a hundred percent certain, but as Greg mentioned at Berkshire Hathaway energy, we had some short term financing. We don't have short term financing to any degree. We'll never get ourselves in a position where we have a lot of money that can come due tomorrow. And people that were financing heavily with commercial paper and then found their business stopped. Well you've seen what's happened to the airlines. I mean they need money. Cruise lines need money.

There's some businesses that, it's just the nature of what they're in. Berkshire will never get it in a position where it needs money. And we factor in, like I said, we factor in some things that are not ridiculously unlikely. And I'm not going to spell out scenarios, because I, to some extent, you start spelling out scenarios, you may increase the chance of them happening. So it's not something that we really want to talk about a lot, but our position will be to be to stay a Fort Knox, but we don't need it. We don't need -- it's a little higher now than it was at quarter end. We don't need $130 billion or $135 billion, but we need a lot of money that's always available.

And that means we own nothing but treasury bills. I mean, we've never owned, we never buy commercial paper, we don't count on bank lines. One or two of our subsidiaries -- a few of our subsidiaries have them, but we basically want to be in a position to get through anything. And we hope that doesn't happen, but you can't rule out the possibility anymore than in 1929 you could rule out the possibility that you would be waiting until 1955 or the end of 1954, to get even. Anything can happen and we want to be prepared for anything, but we also want to do big things.

If the prices are attractive -- as Greg said, there was a period right before the Fed acted. We were starting to get calls. They weren't attractive calls, but we were getting calls and the companies we were getting calls from after the Fed acted, a number of them were able to get money in the public market. Frankly terms we wouldn't have given it to them.

Rebecca Quick {BIO 16400962 <GO>}

All right. This next question is one that Greg, you actually touched on the answer to this to some extent, but maybe the two of you could expand on it. It comes from Richard Sourcer from Tucson, Arizona. He says, Berkshire's Annual Report indicated that Berkshire had 391,539 employees at the end of 2019. Which areas of our operations have already been hardest hit or will be by the Coronavirus pandemic and what are the implications for the continued employment of those people?

Greggory Warren {BIO 15185326 <GO>}

Those people are employed in dozens and dozens of different industries. And there are a few industries that there is a fair likelihood that our employment could be reduced, but they're not large. I'm just thinking as I'm talking, it's not like we're in some of the businesses that are, we're not in the hotel business. Various aspects of travel and entertainment and all of that could really be changed in a very major way.

So I don't see our employment. I'll put it this way, five years from now, I think Berkshire will be employing considerably more people, and I don't see, where we'll have large dips, but the virus could take off in certain ways, that in some of our manufacturing businesses for example, the demand could be dramatically reduced. And in those cases, we would have layoffs at some point. Greg?

Gregory Edward Abel {BIO 1416724 <GO>}

What I would add, Warren, is that as we are in the sort of crux of the pandemic, we're still dealing with it. So our businesses have adjusted. Some have had to adjust more.

If you look at Berkshire Hathaway energy, for example, you can see US electricity consumption is down 4%. That realistically doesn't impact our business in a significant way. And in longer term we'll continue to grow that business. So even during the crisis, a relatively small impact to the business.

But as Warren knows, we do have retailers that their doors are shut right now, be it our See's Candy, some of our jewelers. And at that point in time, we do adjust and adapt to the environment. We adjust our workforce. But equally we do see for example, See's at a point our stores will reopen. And at that point, we reemploy the folks.

And overall for Berkshire as a whole, as Warren said, five years from now, we see our employment numbers being far greater than they are today. And that we see great prospects within the operating businesses as a whole.

Warren Edward Buffett {BIO 1387055 <GO>}

See's is an interesting example because we've owned that since 1972. That's a long time and we love it and we continue to love it. And I have a box here of our peanut brittle and I've got another box of fudge right here and I'll probably take them all home and not share with Greg.

And, but we were in the midst of our Easter season and Easter is a big sales period for See's. And I don't know whether we were halfway through, but we weren't halfway through in terms of the volume is going to be delivered because it comes toward the end. And essentially we were shut down and we remain shut down. The malls that we've got 220 or so retail stores and we've got a lot of, Furniture Mart sells our candy. But the Furniture Mart's closed down. And so See's business stopped and it's a very seasonal business to start with. So we have a lot of seasonal workers too that come in, particularly for the Christmas season. But we have a lot Easter candy, and Easter candy is kind of specialized too. So we won't sell it. And we produced a good bit of it. We couldn't ship it, we couldn't put it in stores and there's some of that going on.

And then of course, Greg does all the work on those sort of situations and our managers are terrific of course. And in dealing with it, but this is a very, very unusual period. And like I say, a few years from now, I think Berkshire will be employing more people than 395,000. Over the years, we started with 2000 of the textile business, and we've still got the same playbook.

Rebecca Quick {BIO 16400962 <GO>}

This next question comes from Drew Johnson who says that he's a longtime shareholder who's attended a couple of meetings. He says, in an interview on April 17th, Charlie mentioned that some small businesses owned by Berkshire would not reopen after the pandemic eases. Can you elaborate on which businesses might be impacted?

Warren Edward Buffett {BIO 1387055 <GO>}

We have businesses within businesses. At Marmon don't we have 97 different businesses, for example?

Gregory Edward Abel {BIO 1416724 <GO>}

Exactly, yeah.

Warren Edward Buffett {BIO 1387055 <GO>}

Yeah. And there are some that's weren't doing that well before and I'm not talking about Barman Spivey, but they got a couple of them and there's a couple of them. And it may be that in effect, what's happened in the last couple of months has accelerated the decline and of those businesses or their customers are developing different habits. People are developing different habits in retail. There's no question about that. Now that doesn't mean we haven't got a bunch of good retail businesses, but there are businesses that were having problems before and that have even greater problems now. We don't own our newspapers anymore, but we're financing the enterprise which does have them. We've actually increased our investment in the newspaper business by selling the papers to Lee and then refinancing their debt.

And the newspaper business was having plenty of problems with both circulation and advertising before the buyers came along. But advertising declines every place. Have accelerated fairly dramatically. And when the automobile industry stops, the auto dealers don't advertise it. It's made certain businesses that were tough before even tougher now. And there will be management of at least one of the subsidiaries is suggested to us and so there'll be some changes in a few businesses, but they're very small businesses.

Our major businesses and our business of intermediate size, I can't think of anything that's of significance that won't reopen. But it won't be any fun with the businesses where the world has really changed. You're seeing a lot of change. If you own a shopping center, you've got a bunch of tenants that don't want to pay you right now. And the supply and demand for retail space may change fairly significantly. The supply and demand for office space may changed significantly. A lot of people have learned that they can work at home or that there's other methods of conducting their business than they might've thought from what they were doing a couple of years ago. And when change happens in the world, you adjust to it.

Gregory Edward Abel {BIO 1416724 <GO>}

Yeah. I think the, -- go ahead.

Warren Edward Buffett {BIO 1387055 <GO>}

Becky, I think Greg, one. Yeah.

Rebecca Quick {BIO 16400962 <GO>}

This next question is a follow up one.

Gregory Edward Abel {BIO 1416724 <GO>}

Well, I was just going to add on the Marmon example, our 97 companies there. For example, we have a food service group which sells equipment to a variety of the restaurants. We have a few businesses that realistically were challenged when the industry was performing really well. And as we come out of the crisis, their economic prospects aren't going to be better. And in fairness to the teams and the employees in there, they understand that and they're working through it and there'll be other opportunities potentially within the company, within Marmon, and things like that. But there's a very specific answer or example relative to the question.

Rebecca Quick {BIO 16400962 <GO>}

This next question is a followup on that. It comes from Chris Fareed of Philadelphia. And he says, it's been a longterm policy of Berkshire to not sell or close any ongoing subsidiaries as long as their business prospects weren't a money hole. Over the last year, he points out the sale of Berkshire Hathaway media. And then Charlie's comments from that interview saying that several small Berkshire subsidiaries will not be opening when the coronavirus lockdown is lifted. So should shareholders assume that Berkshire has now changed its longterm policy in regards to keeping underperforming subsidiaries around?

Warren Edward Buffett {BIO 1387055 <GO>}

No. I think that policies were spelled out for maybe 30 years or so. An addendum in the Annual Report that we have said that if a company or if an operation, we think that its prospects are that it will continually lose money in the future, that we will certainly -- we'll try to sell it to somebody else. But one way or another, we will not continue to hold it. And that is not a new policy and it's not been changed. You can say in effect, we did that with the airline industry to some extent.

If we owned all of an airline now, it would be a tough decision to decide whether to sustain billions of dollars in operating losses when you don't know how long it's going to happen or occur. And secondly, you know that it's very likely that there'll be too many planes around. And we know what happens in airline pricing, when load factors go down and there's an oversupply of airline seats. So we didn't have to make that decision in terms of our own operation on it, but we did make a decision that that's a very tough management decision to make. And the government of course is as well, they've had the first wave of financing for the airlines.

But to the airlines credit, they have aggressively raised money. I mean, it's amazing to me what a good job they've done of that. And in the case of three of them, no, two of them, but there may be more coming, that they've raised equity money too. They are saying that the debt holders and investors, you've got to put more money into this business if we're going to be able to continue. And the government's done it and private sources have done it and it's exactly the right thing for the managements to be doing. But whether it makes sense, we'll find out for the investors.

Rebecca Quick {BIO 16400962 <GO>}

This next question comes from Eric LaFont and it's directed to Greg. He asks, how is Precision Castparts handling the severe slowdown in the aerospace industry?

Gregory Edward Abel {BIO 1416724 <GO>}

So, very consistent with everything we've just discussed, which is obviously a large part of their business is the aerospace industry, and it can really be broken into three areas as we do in our Q, but two are being impacted. The defense contract business remains very sound and strong within Precision Castparts, but if you look at the large body aircraft, the aircraft that they use within the regional jets, that business will move directly with the demand there. And the jets that are ordered longer-term. So Precision Castparts is literally as we speak, continuing to adjust their business relative to the demand that would come out of Boeing.

They would be having weekly calls with Boeing, recognizing what are their production orders there and adjusting the business accordingly.

Warren Edward Buffett {BIO 1387055 <GO>}

Boeing raised $25 billion just a day or two ago, and they raised $14 billion before that. And a year ago they felt they were in a fine cash position. And I understand not all that happened.

Airbus has had the same situation. They've made some comments reasonably within the last week. The fact that they really don't know what their future is, and I don't know what their future is. We're going to have aircraft in this country, we're going to be flying.

But the real question is whether you need a lot of new planes or not. And when you're likely to need them. And it affects a lot of people and it certainly affects Precision Castparts. It affects General Electric. It obviously affects Boeing and it is a blow to essentially have your demand dry up and it goes up the chain.

And the aircraft manufacturers, didn't bring it on themselves. The airlines didn't bring it on themself. Precision Castparts didn't bring it on itself. General electric didn't. It's basically that we shut off air travel in this country, and what that does to people's habits and how they behave in the future. it's just hard to evaluate.

I don't know the answer, but we do know that will have an effect on Precision Castparts. And how severe it will be depends on this same sort of variables that are hitting Boeing. Then you name the company in aircrafts. And aircraft is a big business. And this country is good at it incidentally too.

I mean if you think about Boeing, it is one hell of a company and it's important. It's a huge exporter and it affects a lot of jobs and some of them are with us. We hope for the best and we wish everybody the best. Obviously and we wish ourselves the best in it, but part of it is certainly out of our control.

Gregory Edward Abel {BIO 1416724 <GO>}

Right.

Rebecca Quick {BIO 16400962 <GO>}

This next question is for Warren. Do you think Geico will experience unusually high profitability in 2020 due to the reduced amount of driving, even after giving customers a 15% credit?

Unidentified Participant

Well, we have promised to give our customers, at Geico we're the second largest auto insurance company and different auto insurers are handling a sharing of the better experience with their policy holders in different ways. Our plan will deliver back $2.5 billion roughly or so, and in recognizing the reduced frequency of accidents during this period. What we don't know is how long this will continue. I mean, people want to drive their cars still, but conditions have reduced that driving dramatically obviously.

Now, we have instituted a program that runs saving people money for six months and so far other people have largely been two months, but some of them have given a little more for those two months than we get per month. Our total is the greatest at $2.5 billion. And in addition to that, we and all the others in the industry, it's not just Geico, we've also -- and insurance commissioners in many cases, I believe, are required it, but we have -- we give people more time to pay if they aren't paying. And if they canceled our policy or if they don't end up paying us, we've in effect giving them free insurance during that period. And the delay in payments is obviously increased. Delay of payments on, if you've got of a shopping center getting rent, if the delay in payments is what happens during a period like this, and that will be a significant cost to us. We don't know how significant it will be.

There will be more uninsured motorist driving and they cause a disproportionate amount of accidents and that. So there's a lot of variables. We made our best guess as to what we're going to do to reflect the current reduced accidents in our premiums that we receive, really over the next year. It applies for a six month on renewals, but that we'll be renewing policies in October that will extend it. Then next April, and so we've made a guess on it and we'll see how it works out.

Rebecca Quick {BIO 16400962 <GO>}

This next question comes from Steven Staller. He's a shareholder in Atlanta, Georgia and he says, would you please help us understand the effects of COVID-19 are on our insurance businesses? Other insurance companies have reported losses from boosting reserves for future insurance claims that they expect to be paying as a result of Coronavirus. Yet in Berkshire's 10Q released this morning, we do not appear to have reported much of these future expected losses. Can you tell us why this is the case? What kind of risks Berkshire is underwriting that allows us not to be affected by the pandemic or conversely, what we are writing that might be?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, the amount of litigation that is going to be generated out of what's already happened, let alone what may happen, is going to be huge. Now, just the cost of defending litigation is huge, enormous expense, depending on how much there is.

Now, in the auto insurance field, which is our number one field in terms of premium volume by some margin, that's more definable, but who knows what comes out of it in terms of litigation. But in what they call commercial multiple peril, which involves property losses and where some people elect to buy business interruption experience coverage, many policies quite clearly in the contract language would not have a claim for business interruption under a commercial multiple peril policy where you've elected that. But other policies do I know of, I think I know of one company. I don't know the details, that's written a fair amount where they cover or they certainly there's a good argument perhaps that they cover business interruption that might arise from a pandemic.

Well, they're in a very different position than the standard language which says that you recover for business interruption only if involves physical damage to the property. And you can buy all kinds of different policies. We are not big in the commercial, multiple peril business. So I mean, this is not like our auto business or anything of that sort, but we will have claims. We'll have litigation costs, but proportionally it's not the same with us as with some other companies, which have been much more, those with some other companies which have been much heavier in writing business interruption as part of a commercial, multiple peril.

But you don't automatically get coverage if you have business interruption. I mean for example, I think it would be unusual if say General Motors had a strike, which they did, and that they have business interruption that covers a strike. We actually wrote about, probably the only annual report in the United States, we wrote about business interruption insurance because we had it over in France, when one of our properties was adjacent to a much smaller property that had a fire and then it spread to our plant and it caused a lot of physical damage and we have business interruption that ties in with that. But if we had some company we were selling auto parts to and they had a strike, our business would be interrupted, but that is not part of the coverage, unless you specifically really buy it. So, there's some claims that are going to be very valid and related to the present situation. There'll be an awful lot that there'll be litigation on that won't be valid.

And, there's no question that some insurance companies, I know one particular, that will pay a lot of money relative to their size, in terms of policies that they've written. And I think we have reserved, and our history shows we generally have reserved on the conservative side, adequately at least. And that's certainly our intent. And we tell no managers of any of our insurance operations, what numbers we expect from them or do any of that. They evaluate their losses and they build in something for social inflation. They build in things for all kinds of things. And generally speaking, Berkshire has been pretty accurate in its reserving. And, I have no reason to think that we're otherwise than that, currently.

Rebecca Quick {BIO 16400962 <GO>}

Steven Tedder From Atlanta who says he's a tenured Berkshire shareholder writes in and he says, do you see Berkshire offering pandemic coverage in future insurance policies?

Warren Edward Buffett {BIO 1387055 <GO>}

Well the answer is, we ensure a lot of things. Sure. We had somebody come to us the other day wanting insurance involving a $10 billion protection on something very unusual. We're not going to make that deal in all probability. In fact, I would say it's dead. But we would have written pandemic insurance if people had come to us and offered us what we thought was the right price. We would have been wrong, probably in doing it. But we have no reluctance to quote on very unusual things and very big limits. We're famous for it. We haven't done that much of it in certain periods because the prices aren't right. But if you want to come and insure almost anything, and we don't want you to insure against fire, if you happen to be a known arsonist or something. But, if you come to us with any unusual coverages, either in size or in the nature of what's covered, Berkshire is a very good place to stop. And so somebody wants to buy, they can dream up the coverage and they can tell us the price they'll pay and we'll consider writing it.

We wrote a lot of business after 9/11 for example, when there were really only a couple companies in the world that were willing to write the business. And Berkshire and AIG wrote a lot of business and we thought we knew what we were doing, but we could have been surprised. I mean there could have been some follow on incidents from 9/11 that we wouldn't have known about. You don't know for sure the answer. That's why people are buying insurance. But, we would be willing to write pandemic coverage at the right price.

Rebecca Quick {BIO 16400962 <GO>}

This next question is for Greg and it comes from a shareholder named Todd Flaska [ph]. He says, I don't expect Berkshire to outperform the S&P 500 during good times. However, I remain a long-term investor because of the huge war chest that can be deployed during the downturns in the market, like we're seeing right now. Warren has been brilliant at negotiating mutually favorable deals with companies that have somewhat urgent capital needs during these down-times. These opportunities may only come about once a decade. There's a small window of time for these deals. They all come at once and you don't really know if you're at the bottom of the market when the deals start coming. Will Berkshire be able to continue this approach when Warren and Charlie are no longer at the helm?

Gregory Edward Abel {BIO 1416724 <GO>}

I fundamentally, without Warren and Charlie at the helm, I don't see the culture of Berkshire changing. I don't see our billet, which a large part of that is having the business acumen to understand, the transaction, the economic prospects and then, the ability to act quickly. I really don't see that changing as we listen, there's no one better than Warren and Charlie, but equally we've got a talented team in Berkshire both at the Berkshire level, and within our managers that can obviously look at opportunities too, very quickly. But, the reality is it's a huge advantage we have right now, and we would clearly want to be in a position to maintain that position of strength. Warren?

Warren Edward Buffett {BIO 1387055 <GO>}

Yeah, we will maintain it. And, we not only have it when the managers of the -- in some cases, not all cases by a long shot, but in some cases we have managers that will occasionally come up with something that can be quite attractive. But between Greg and Todd and Ted, we've got three extraordinarily good buyers in terms of allocating capital. And, I and Charlie may get -- we may get an occasional call because of someone we knew 20 years ago or something. But they know a lot more people. They've got a lot more energy and their minds work the same way as ours have in the past. So I think it could very well be a significant improvement when the three of them are thinking about capital allocation than when Charlie and I are now, particularly now that he's found ZOOM.

Rebecca Quick {BIO 16400962 <GO>}

All right. This next question comes from Max Rudolph in Omaha, Nebraska. And he asks, if Berkshire or any of its fully-owned businesses have participated in any of the bailouts from the Fed or the treasury?

Warren Edward Buffett {BIO 1387055 <GO>}

I certainly don't know of any. I guess, you could say while we own the airlines, well no, the question is about fully owned businesses and there's no way that I wouldn't know about anybody that did any of that. Greg?

Gregory Edward Abel {BIO 1416724 <GO>}

No. In fact, we've been very clear with the businesses, but our businesses understood how Berkshire operates and equally we're very clear that we would not be participating in any of those programs or quote bailouts.

Rebecca Quick {BIO 16400962 <GO>}

This is a similarly related question. It comes from Seth Friedman who says, as a long-term shareholder of Berkshire B shares, I'd like to know Warren's viewpoint around smaller holdings, specifically Oriental Trading Company and Nebraska Furniture Mart that are based in your hometown of Omaha. He imagines that those smaller business units have been adversely impacted by COVID shelter-in-place mandates. So would like to know if Oriental Trading or other small business units applied for PPP loans or participated in those acts. And if they didn't qualify for a loan or didn't participate, then how will Berkshire support those smaller businesses to make sure that they can continue to employ their employees?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, to my knowledge, none of them have gone in for government money. And government money. And the two that are mentioned, I don't like to get into specific companies but I can assure you that the Nebraska Furniture Mart and Oriental Trading in my view have a fine future. But, I don't want to talk about, go down the list obviously, of every single company because some of them I don't know the answer to. We actually decided some time ago that our newspapers would have a much better chance of surviving if they were run as part of lee [ph] than if we ran them independently. And, as I said earlier, we actually put considerably more money. We probably put more money in the newspaper business than virtually anybody in the country in the last six months. Because we took over a loan that would have been a problem in the year, whatever it might've been, maybe year and a half. And we enable them to just deal with one lender rather than a group. And they are doing a better job with the newspapers then we would do.

And that's always our preference. If we've got a business that looks like it is not going to sustain itself over time in our hands. If we can find somebody else that we think will do a better job, we'd love to have them run it. So if we have a problem business, we would prefer to find somebody that thinks they can do a better job and probably can do a better job of running than we can. But some businesses, just are superior. We started with the textile business. We started a company called diversified retailing, which merged into Berkshire, became part of Berkshire and started with a department store in Baltimore. And department stores looked good in 1966, but the world has gone against them. And we had a trading stamp business at one time, and we stayed longer than anybody else but the world left trading stamps behind. And that's going to happen with some businesses. That's capitalism. And it will happen to some Berkshire businesses over the next 10 years and the next 50 years. We think we'll find more of them that will grow. And net, that Berkshire will grow. But we do not think if you own a great many businesses that every one is destined for success. That's why I suggest to people they buy an index fund. I do not, with the exception of Berkshire, I would not want to put all my money in any one company, although there's a few, I wouldn't mind being very close to that. But, I don't think -- you get surprises in this world and there will be businesses that we think are very good that turn out not to be so good, and there will be other businesses that turn out better than we think and it's up to the world to judge our batting average over time. Greg?

Gregory Edward Abel {BIO 1416724 <GO>}

Well, I would just add and echo again that when it comes to the PPP loans, we're not aware of any of our businesses taking them. And as I said, we encouraged them if they were ever thinking that, there was going to be a dialog and we're not aware of any businesses pursuing them. I would also just add that when you look at our businesses as we went into the crisis, they responded very well. So as we look at our businesses, and Warren touched on this, our large businesses, our mid-sized businesses and even as you go down from there, they're in very sound shape as we go through the pandemic and are really preparing to emerge now. So they're evaluating, listen, they're going to have a different customer, there's going to be different consumer behaviors, how our employees work, i.e., a lot of them work at home now, does that make sense, and the communities we're operating in have all changed. But we're literally moving from the point of, okay, we're, making it through the crisis and really planning to reemerge now. And I would say our businesses are in extremely sound place.

Warren Edward Buffett {BIO 1387055 <GO>}

We don't know when the --

Rebecca Quick {BIO 16400962 <GO>}

This next question...

Warren Edward Buffett {BIO 1387055 <GO>}

Well, I was just -- well, we don't know -- we don't know how long this period lasts, and nobody knows. We don't know whether the -- most people think, and they know more about it than I do, that the virus will, to some extent, decline in its spread during summer months. And I would say that many think that it will come back at some later date. And how the American public reacts if they get their hopes up through some reopening, some through -- through some summer diminution and how they would react to a second attack, in effect by the virus. It's like Dr. Fauci -- the virus is going to determine our behavior in a way. And we're doing a lot of smart things and we've got a lot of very smart people, but there are unknowns. And the unknowns that apply to the health aspect create unknowns in the economy. And we'll have to keep evaluating things as we go along. I hope, like crazy obviously, that once suppressed, it doesn't come back and that we readjust. But things don't always work perfectly. That doesn't mean there was a better course of action that would not --I would not go around criticizing people at all for what they've done or anything of the sort. I just think you're dealing with a huge unknown. And I think that the degree to which it's disturbed the world and changed habits and endangered businesses in the last couple of months indicates that you better, not be too sure of yourself about what it'll do in the next six months or year or whatever.

Rebecca Quick {BIO 16400962 <GO>}

Warren, a moment ago you mentioned that you still are recommending that people invest in an S&P 500 index fund. Let me ask this question that came in from Kevin. He says the last few weeks we've been hearing from active money managers that the day of passive investing is over. The historical safety of investing in an index fund long-term is gone. Would you please provide your thoughts on this topic, particularly in regards to an investment time span of 10 years?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, I can tell you I haven't changed my will and it directs that my widow would have 90% of the funds in index funds and I think it's better advice than people are generally getting from people that are getting paid a lot to give other advice. You don't make a lot of money advising an S&P 500 index fund. And how you can say the D day of index funds is over. I mean, if you say the day of investing in America is over. I would disagree quite violently. And then is there's something special about index funds being a terrible way to invest, I just don't think it's very hard to have evidence of that. I mean, if the index funds reflect the market and one side has high fees that think they can pick out stocks and the other side has low fees, I know which side is going to win over time.

And, you have to recognize that it's in a great many people's interest to convince you that they can do something, that they may well even believe they can. And a certain percentage of them will do it from luck and a few people will do it from skill. And that's what makes it so enticing that you can find the Sam or somebody that's going to produce extraordinary return. And Jim and his group have done it by brainpower, but that's very unusual and incidentally they are going to charge you a lot of money and they're going to actually maybe close up their fund if they do it because they can't do it with really huge amounts of money compared to how the record in the past. Just have to recognize you're dealing with an industry where it pays to be a great salesperson and it pays even better if you're a great salesperson and you can actually produce something. But the money is in selling. There's a lot more money in selling than in managing, actually, if you look to the essence of investment management.

Rebecca Quick {BIO 16400962 <GO>}

I got a number of variations on this next question, some more polite than others. This one's right about down-the-middle. But this is from Mark Blakely, who writes in from Tulsa, Oklahoma, and he says like many, I'm a proud Berkshire Hathaway shareholder. However, in comparing the performance of Berkshire with the S&P 500 over the last 5, 10 or 15 years, I've been disappointed in Berkshire's under-performance. Even year to date, Berkshire is trailing the S&P 500 by 8%. To what would you attribute Berkshire's under performance? While I can't imagine ever selling my Berkshire stock at some point, money-is-money.

Warren Edward Buffett {BIO 1387055 <GO>}

No, I agree with everything that, I forgot his name, but just said. I mean the truth is that I recommend the S&P 500 to people. And I happen to believe that Berkshire is about as solid as any single investment can be, in terms of earning reasonable returns over time. But, I would not want to bet my life on whether we beat the S&P 500 over the next 10 years. I obviously think there's a reasonable chance of doing it and we've had periods, I don't know how many out of the 50, 55 years we've been doing it or, I don't know how many we've beaten or not. I mentioned earlier that 1954 was my best year, but I was working with absolutely with peanuts, unfortunately. And, I think if you work with small sums of money, I think there is some chance of a few people that really do bring something to the game.

But I think it's very hard for anybody to identify them. And I think that when they work with large funds, it gets tougher. And it's certainly gotten tougher for us, with larger funds. And I would make no promise to anybody that we will do better than the S&P 500. But what I will promise them is that I've got 99% of my money in Berkshire. And most members of my family, may not be quite that extreme, but they're close to it. And I do care about what happens to Berkshire over the long period about as much as anybody could care about it. But caring doesn't guarantee results, It does guarantee attention. Greg?

Gregory Edward Abel {BIO 1416724 <GO>}

Well, I would agree Warren that there's never guarantees. But when I look at the assets we have in place and the teams that are in place, I. You're committed to Berkshire, but we have dedicated teams that equally are dedicated to Berkshire and they're sure going to give it their best effort every day. And, when I look at the assets and the people, I think we have, as you said, you can't guarantee it, but we have a great chance of sure giving a good effort to outperform it.

Warren Edward Buffett {BIO 1387055 <GO>}

It's hard to imagine getting a terrible result with Berkshire but, anything could happen. And what I do know is it would be easier to be running 5 million than. Our book, net worth at Berkshire at the quarter end, I think was Three hundred and seventy some billion, which is down, but it's still greater than the book net worth of any corporation in the United States. I mean, maybe there's some federal corporation that has more, but in terms of-- And it may be the greatest in the world. I'm not sure. And that makes life difficult in some ways too.

Gregory Edward Abel {BIO 1416724 <GO>}

Right, and the potential of our operating businesses are substantial. When you think, we've talked about energy, you touched on it, that infrastructure is continuing to change. We're ready for a hundred billion dollars of investment opportunities there. If we just look at the business over the next 10 years and the infrastructure that's required and how it's changing substantial investments there, that just tell me we have very good prospects. And we're well positioned to pursue them. Which again to me, when you look at our core business, you touched on in Burlington, the insurance and energy, our downside is very nicely protected. We have three really core great businesses.

Warren Edward Buffett {BIO 1387055 <GO>}

Yeah. And we're better positioned than anybody in the energy business just because we don't have dividend requirements. We retained $28 billion of earnings over 20 years. You can't do it if you run a normal public company. And we've got a huge appetite and the -- and the country needs it, the world needs it. And we are a very logical, well structured, well managed I would say because it doesn't involve me, a company who participate in just huge requirements around the world now. They're slow and they involve state governments. And there's a lot of, It's not anything that happens dramatically. It will happen. And, and Berkshire should participate in a huge way. We can do things in insurance, nobody else can do. That doesn't mean much many times, but occasionally it may be important. So, there are some advantages to size and strength. But there are disadvantages to size too. If we find some great opportunity for $1 billion to double our money, that's $1 billion pretax and that's $790 million after tax. And on a market value of $450 billion or whatever it may be. That doesn't amount to much, unfortunately. We'll still try and do it if we can.

Gregory Edward Abel {BIO 1416724 <GO>}

Yeah.

Daniel Jaksich {BIO 1406589 <GO>}

I want to ask this question that came in because I think some people may have had a misinterpretation about something you said a few minutes ago. This is the benefit of being able to get these questions real time. But a few moments ago you were talking about the people at the company who will be allocating capital after you and Charlie are no longer doing it and you mentioned that you've got Todd, Ted and Greg all doing that, but I've gotten a few questions that read similar to this. This one's from Edward Papula in New York city, who says, Dear Warren, I noticed you didn't mention Ajit Jain, when you reeled off your list of future management. Is he out of the picture?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, Ajit is not in the capital allocation business. He is the best -- well, he's got one of the best minds in the world. I mean, I wrote his father after he worked for us for a few years. I wrote him again the other day. But 20 years ago I wrote him and I said, if you've got another son like this, send him over from India, because, well on the world. Ajit is one of a kind. Anybody will tell you that's at any contact with him, and particularly anybody in the insurance business where they know him well, he is absolutely one of a kind. But his job is not capital allocation. It's evaluating insurance risks and that is a rare -- he possesses a rare talent and he has a huge capital backing to do it. So he's an incredible asset.

But Greg and Todd and Ted have been in the asset allocation business in a big way for a long time. That's their game. And Ajit's game is insurance. So that's why I mentioned those three. And incidentally, while Charlie and I are around, we kind of like capital allocation ourselves. So we're not going any place voluntarily, but we probably will go someplace involuntarily before that long. Charlie's in good health incidentally. I'm in good health.

Rebecca Quick {BIO 16400962 <GO>}

Greg, let me ask you one of these capital allocation questions. This one comes from Matt Libel and he says, Berkshire directed 46% of capital expenditure in 2019 to Berkshire Hathaway Energy. Can you walk us through with round numbers, how you think differences in CapEx spending versus economic depreciation versus gap depreciation and help explain the timeframe over which we should recognize the contract of return on equity from these large investments, as we as shareholders are making in Berkshire Hathaway Energy?

Gregory Edward Abel {BIO 1416724 <GO>}

So when we look at Berkshire Hathaway Energy and their capital programs, we try to really look at it as it was highlighted, really in a couple of different packages. One, what does it actually require to maintain the existing assets for the next 10, 20, 30 years i.e. it's not incremental, it's effectively maintaining the asset, the reflection of depreciation. And, our goal is always to clearly understand across our businesses, do we have businesses that require more than our depreciation or equal or less?

And happy to say with the assets we have in place and how we've maintained the energy assets, we generally look at our depreciation as being more than adequate if we deploy it back into capital to maintain the asset. Now the unique thing in the lion's share of our energy businesses that are regulated and that exceeds 85% of them, 83% of them, we still earn on that capital we deploy back into that business. So it's not a traditional model where you're putting it in, but you're effectively putting it into maintain your existing earnings stream. So it's not drastically different, but we do earn on that capital.

But what we do spend a lot of time, and that's what when Warren and I think about the substantial amounts of opportunities, that's incremental capital that is truly needed within new opportunities. So it's to build incremental wind, incremental transmission, that services the wind or other types of renewable, solar. That's all incremental to the business and drives incremental both growth in the business. It does require capital, but it does drive growth within the energy business. So there's really the two buckets. I think we would use a number a little bit lower than the depreciation. We're comfortable the business can be maintained at that level and as we deploy amounts above that, we really do view that as quote incremental or growth CapEX.

Warren Edward Buffett {BIO 1387055 <GO>}

Yeah, we have what, 40 billion or something? What do we have in sort of kind of in the works?

Gregory Edward Abel {BIO 1416724 <GO>}

So we have basically, as Warren's highlighting 40 billion in the works of capital. That's over the next effectively nine years, 10 year period, a little approximately half of that we would view as maintaining our assets. A little more than half of it's truly incremental. And those are known projects we're going to move forward with. And I would be happy to report, we probably have another $30 billion that aren't far off of becoming real opportunities in that business.

As Warren said, that it takes a lot of time. It's a lot of work. The transmission projects, for example, we're finishing in 2020, were initiated in 2008 when we bought Pacific Corp. I remember working on that transmission plan, putting it together, thinking six to eight years from now, we'll, we'll have them in operation. 12 years later and over that period of time we earned on that capital, we have invested and then when it comes into service, we earn on the whole amount. So we're very pleased with the opportunity, but we plant a lot of seeds, put it that way.

Warren Edward Buffett {BIO 1387055 <GO>}

Yeah. And these are not, it's not like they're super high return thing, they're decent returns over time. And we're almost uniquely situated to deploy the capital. As opposed, you could have government entities do it too, but, but in terms of the private enterprise. And they take a long time, they earn decent returns. I've always said about the energy business, it's not a way to get real rich, but it's a way to stay real rich.

And we will deploy a lot of money at decent returns, not super returns. You shouldn't earn super returns on that sort of thing. I mean, you are getting rights to do certain things that governmental authorities are authorizing and that they should protect consumers, but they also should protect people that put up the capital. And, it's worked now for 20 years and it's got a long runway ahead.

Rebecca Quick {BIO 16400962 <GO>}

All right, this next question comes from Jason in New Jersey. As both a Berkshire and Occidental shareholder, I was encouraged to see your investment in the company, but with passing weeks, it became evident that your investment facilitated Occidental management's ability to avoid a shareholder vote on the Anadarko acquisition, a very shareholder unfriendly outcome. This deal proved to be irresponsible and expensive from an Oxy perspective and ultimately very value destructive for Oxy shareholders. In my view, it also permanently hurt Berkshire's reputation in the marketplace. Please comment on this unfortunate outcome and tell me why Oxy shareholders and other market observers, shouldn't feel this way.

Warren Edward Buffett {BIO 1387055 <GO>}

Well, we said right from the beginning, although we didn't certainly expect the degree to it, what's happened. We said essentially when you buy into a huge oil production company, how it works out is going to depend on the price of oil to a great extent. It's not geological home runs or super mistakes or anything like that. It is a investment that depends on the price of oil and when oil goes to minus $37 as happened the other day for I guess it was the May contract, that's off the chart. And if you own oil, you should only own oil if you expect these prices to go up significantly. I don't know whether they'll go up significantly or not. We're in the transaction. Our commitment was made on a Sunday when the management of Anadarko favored Chevron and Chevron had a breakup fee of a billion dollars. And-

Chevron had a breakup fee of a billion dollars and accidental people have been working on it for several years and it was attractive at oil prices that then prevailed. And it doesn't work obviously at $20 a barrel. It certainly doesn't work in minus $37 a barrel but it doesn't work at $20 a barrel. And everything the oil companies have been doing, whether it's Exxon or Occidental or anybody else, it doesn't work at these oil prices. That's why oil production is going to go down a lot in the next few years because it does not pay to drill.

Now, that's happened at other times in the past, but the situation is you don't know where you're going to store the incremental barrel of oil and oil demand is down dramatically and for a while the Russians and the Saudis were trying to outdo each other in how much oil they could produce. And when you've got too much in storage, it doesn't work. It's way off that very fast. Now you will have production of oil go down in the United States significantly. It does not pay to drill and all kinds of formations that paid before and it doesn't pay to have paid the price that oil was trading at in the ground a year or two ago. And to that extent, if you're an Occi shareholder or any shareholder in any oil producing company, you join me in having made a mistake so far in terms of where oil prices went and who knows where they go in the future.

Rebecca Quick {BIO 16400962 <GO>}

Let me follow up with this one then. This one comes in from Anish Ball who says, is there a risk of permanent loss of capital in the oil equity investments?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, there certainly is. There's no question. If oil stays at these prices, there's going to be a lot of money, a whole lot of money and middle extend to bank loans and it'll affect the banking industry to some degree. Not that it doesn't destroy them or anything, but there's a lot of money that's been invested that was not invested based on a $17 or $20 or $25 price for WTI, West Texas Intermediate oil. But you can do the same thing in copper. You can do the same thing in some of the things we manufacture. But with commodities it's particularly dramatic and farmers have been getting lousy prices but to some extent the government subsidized them. I'm all for it actually.

But if you're an oil producer, you take your chances on future prices, unless you want to sell a lot of futures forward. Occi actually did sell 300,000 barrels a day, puts in effect that they bought puts but and sold clause and effect to match it. And they were protected for a layer of $10 a barrel on 300,000 barrels a day. But when you buy oil, you're betting on oil prices over time and over a long time, and oil prices, there's risk and the risk is being realized by oil producers as we speak. If these prices prevail, there will be a lot of bad loans and energy loans and bad debts and energy loans. And if there are bad debts and energy loans, you can imagine what happens to the equity holders. So yes, there's a risk.

Rebecca Quick {BIO 16400962 <GO>}

All right. This question comes from Bob Coleman. He says, Warren, could you bring us up to date with the status of your equity put contracts. Sourcing the 2019 annual report found on page 60, it appears at 2019 year in the fair value liability was just under a billion dollars. And if the index is declined 30% the liability obligations balloon to $2.7 billion. So if the indexes are down, 60% would Berkshire's obligation be close to five and a half billion dollars. Does that math seem reasonable? And are there any loose ends or open exposures, associate (Multiple Speakers)

Warren Edward Buffett {BIO 1387055 <GO>}

No. between 2004 I think in 2006, I think we wrote 48 maybe 50 contracts, something like that. The shortest was 15 years. The longest was 20 years and we received, as I remember, roughly $4.8 billion, which we were free to do with what we wanted and we agreed pay based on where one or more of four indices are selling for at the time of expiration. They were so-called European style puts where they're only payable based on one date and we did not have, with a small exception, we did not have to put up collateral, which was part of the deal and we've had that 4.8 billion.

We probably had an original nominal value of something over 30 billion, maybe 35 billion. That's if everything went to zero. I mean Dow Jones went to zero, the footsie went to zero and the Nikkei and so on. A number of those are run off. So we now have about 14 billion nominal. We have something less than half left. We haven't paid out anything significant. We bought back a few of them. If everything went to zero, we would owe 14 billion. If everything were to sell at the same price it was selling for on March 31, I think it's somewhat less than we carry as a liability on the balance sheet, which is 200 fraction billion. So far so good. I mean we've had the use of a lot of money and the outstanding potential of them as the market went up a lot, we wouldn't have to pay anything and if it goes down some more, we have to pay more than a couple of billion, but we've got the liability set up for that. But so far so good on that and it is not anything that causes us any problem. The final one I think comes due sometime in 2023.

I think there's, I think maybe 20 or 25% of them come due late this year. And so the questionnaire doesn't really understand the bottom bank I can tell by the question and there's no surprises there. There's no way that some liability could double up on us except relating to where those indices close at the expiration of a group of different puts, which like I said, have been more than cut in half and we've done very well on it. Key to that --

Rebecca Quick {BIO 16400962 <GO>}

Warren, you mentioned a few minutes ago that you-

Warren Edward Buffett {BIO 1387055 <GO>}

Well, I was just going to say key to that was with just a couple of tiny exceptions, we did not agree to put up collateral. We never would have gotten ourselves in that position and that was when we made the deals we just would not get ourselves in that position and we never will. Where on a given date we could have some tremendous obligation that would come to that we weren't count on getting, having come due. I'm done then Becky.

Rebecca Quick {BIO 16400962 <GO>}

Okay. Okay, thanks. So you mentioned a few minutes ago that you're very concerned about Berkshire's longterm health to this question came in from Drew Estos in Atlanta, Georgia who says there's already a speculation of a post Buffet breakup of Berkshire and given the sway carried by modern activists, the speculation should be taken seriously. Many longterm owners see the folly in this view, a $25 billion anciliary earning stream provides a lot of flexibility when investing insurance float on our and your estate's behalf, could you more forcefully make the case of maintaining Berkshire's current architecture? If you don't, that responsibility will fall on an unknown set of shoulders with far less credibility.

Warren Edward Buffett {BIO 1387055 <GO>}

Well, if you were to sell Berkshire's various subsidiaries, you would incur a very significant amount of tax at the corporate level before anything was distributed to the shareholders. You can spin off a given one or something of the sort, but the ability to break up a diverse company without tax implications there was something called the general utilities doctrine that prevailed in various ways up until 1986 and a lot of people seem to comment based on the fact that, that didn't happen in 1986. And there's imaginative that ways where people try to avoid taxes and can do it in some cases. On certain types of transactions. If you were to break up Berkshire, that would be one factor, but the interaction of being able to move capital around in terms of being able to do things in insurance that we couldn't do unless there were the backup earnings and capital employed in the other entities.

There's enormous advantages in capital deployment within the place. So there is not a big discount to break up value embodied in Berkshire's price and the situation actually is that although all my Berkshire shares, every share will be given to charities pursuant to a plan I developed back 14 years ago and followed ever since and will continue following this July, I'll be giving away $3 billion or so worth of the stock, but it still involves a big voting percentage that including other people that still remain in the picture aside even from the Buffet family, it isn't going to happen. Now, I will tell you, everybody in the world will come around and propose something and say it's wonderful for shareholders and by the way, it involves huge fees that you do not get impartial advice from Wall Street when there's enormous amount of fees possible for one action and no fees applicable from another action.

But you can be sure I've thought about it and I would say that you can count on Berkshire's present posture being continued for a long time. I can't tell you what's going to happen a hundred years from now and I can't tell you exactly what would happen for example if certain ideas in terms of wealth taxes changed or taxes on foundations change. But my plan has been thought out and in place for a long time and it not only ensures that the money that's been made, all Berkshire, all of it ends up going to various philanthropies staggered over time, but it also will keep the walls away. Greg, do you have any thoughts on that?

Gregory Edward Abel {BIO 1416724 <GO>}

I think the comment on the capital allocations critical that we have the ability to move the capital amongst the, be it the operating businesses or up to the insurance are down with really no consequences to our shareholders. That's the value driver of the unique structure of Berkshire and it creates immense value. So that's all I would add or second I guess.

Rebecca Quick {BIO 16400962 <GO>}

All right, this question comes from Rob Grandish in Washington DC he says, interest rates are negative in much of Europe, also in Japan. Warren has written many times that the value of Berkshire's insurance companies derive from the fact that policy holders pay up front creating insurance float on which Berkshire gets to earn interest. If interest rates are negative, then collecting money up front will be costly rather than profitable. If interest rates are negative, then the insurance float is no longer a benefit but a liability. Can you please discuss how Berkshire's insurance companies would respond if interest rates became negative in the United States?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, they were going to be negative for a long time. You better own equities or you better own something other than that. It's remarkable what's happened in the last 10 years. I've been wrong in thinking that you could really have the developments you've had without inflation taking hold, but we have 120 odd billion while we have some almost very high percentage in treasury bills some just in cash, but those treasury bills are paying us virtually nothing now. They're a terrible investment over time, but they are the one thing that when opportunity arises, it will arise at a time and maybe the only thing you can look to pay for those opportunities is the treasury bills you have. I mean, the rest of the world may have stopped and we also need them to protect, be sure that we can pay the liabilities we have in terms of policy holders over time. And we take that very seriously.

So if the world turns into a world where you can issue more and more money and have negative interest rates over time, I'd have to see it to believe it, but I've seen a little bit of it. I've been surprised. So I've been wrong so far. I don't see how you can create. I would say this, if you're going to have negative interest rates and pour out money and incur more and more debt relative to productive capacity, you'd think the world would have discovered it in the first couple thousand years rather than just coming on it now. But we will see. It's probably the most interesting question I've ever seen in that economics is can you keep doing what we're doing now and we've been able to do it or the world's been able to do it for now a dozen years or so but we may be facing a period where we're testing that hypothesis that you can continue it with a lot more force than we've tested before.

Greg, do you have any thoughts on that? I wish I knew the answer. Maybe you do.

Gregory Edward Abel {BIO 1416724 <GO>}

No, I think as you articulated, I think it was in the annual report too. I mean we don't know the answer, but as you said, some of the fundamentals right now are very interesting relative to having a negative interest rate. But I hate to say it, but I don't have anything to add.

Warren Edward Buffett {BIO 1387055 <GO>}

I'd love to be secretary of the treasury if I knew I could keep raising money at negative interest rates, that makes life pretty simple. We're doing things that we really don't know the ultimate outcome and I think in general are the right things, but I don't think they're without consequences and I think they could be kind of extreme consequences pushed far enough but there would be kind of extreme consequences if we didn't do it as well. So if somebody else has to unbalance those questions.

Rebecca Quick {BIO 16400962 <GO>}

All right. This question comes from Adam Schwartz in Miami, Florida and he says Berkshire is the largest holding in his partnership, which also houses most of their net worth. He says, Berkshire's invested in many capital intensive businesses through the years, railroads as an example, how do you think about the inflationary or even deflationary risks for all of the capital intensive businesses and could this to be an existential problem for businesses? Kind of referencing what you were just talking about that eventually the bill for the debts being issued comes due, will it eventually come from all businesses through some combination of higher tax rates on corporations, increased wages for the lower middle class et cetera?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, I certainly think that increased corporate taxes are a much higher probability than having lower corporate taxes. So I think that we got handed as a corporation, a big chunk of what used to be the government's profits from our business a couple of years ago. And it would depend on to some extent, which party is elected and whether they have control of both houses as well as the presidency and who knows what else. But we could very easily have higher corporate income taxes and perhaps much higher corporate income taxes at some point. And in terms of capital intensive businesses, they're just not as good. If you can find an equally good business in terms of operations that doesn't require capital. (Inaudible) never required capital. Didn't grow but it just doesn't, it didn't take money to expand it and it just delivered enormous sums to us.

And because we own it within Berkshire to redeploy it elsewhere didn't require a lot of tax expense either at the corporate level or at the personal level. So you really want a business and everybody wants a business that doesn't take any capital to speak of and keeps growing. It doesn't take more capital as it grows. Now are you totally business, (inaudible) the energy business requires more capital as it grows. Our railroad business to some extent requires more capital if it doesn't grow even. So capital intensive businesses by their nature are not as good as something where people pay in banks and you don't need the capital. If you look at where the top market value is in a $30 trillion market, if you take the top four or five companies that account for maybe four trillion or so of that $30 trillion. Basically they don't take much capital.

And that's why they're worth a lot of money because they make a lot of money and they don't require the money to any great extent in the business. We own some businesses like that, but it's certainly not the railroad and it's not the energy business. There are good businesses. We love them, but if they didn't take any capital, they'd be unbelievable. That's what we've learned from 50 or 60 years of operating businesses that if you can find a great business that doesn't require capital, when it grows, you've really got something. And to a certain extent, because insurance uses the kind of assets we would like to own anyway. Our insurance business doesn't really take capital. It requires having capital available, but we're able to invest that money largely in things we'd like to own anyway. So we're particularly well suited for the insurance business and it's really been the most important factor in our growth over the years. Although a lot of other things contribute. Greg, you were in the capital intensive business. Tell us about it.

Gregory Edward Abel {BIO 1416724 <GO>}

Well I think there's no question obviously we would prefer to be in a less capital intensive business, but there are unique opportunities there. The one I would touch on when I think of inflation or even potentially as we go through this crisis and maybe a prolonged one or depending on how long it takes to recover. I mean we are in a unique, when we're looking at energy or rail, we do have a certain amount of pricing power and it's through our regulatory formulas or how our arrangements are with our customers. So if we then were to move into an inflationary period, it's not perfect protection, but those businesses generally can recover a significant portion of their costs, even in an inflationary environment and still are in a reasonable return. They're not going to be great returns as you highlighted Warren, but they're still going to earn a reasonable return on their capital even in an inflationary period. There may be some lag in some things like that, but there's still going to be very sound investments.

Warren Edward Buffett {BIO 1387055 <GO>}

Oh yeah. If there was 10 for one inflation, make it extreme--

Gregory Edward Abel {BIO 1416724 <GO>}

Yeah.

Warren Edward Buffett {BIO 1387055 <GO>}

We'd be happy we own the railroad, very happy. Well, we've been investing a lot of capital. But, that business is in my view is a very, very solid business for many, many, many, many decades to come. I said, originally, we bought it with a 100-year time horizon and I've extended that. So, it will earn more dollars, if there is a lot of inflation. In real terms, who knows, but it would earn a lot more dollars and a lot of the energy projects within that, but it's better if we don't have inflation and it's better if we don't have capital, if we can find the same sort of businesses that aren't as capital. That's it.

We've got capital, I mean that we -- we're ideally positioned for capital intensive businesses that other people have trouble raising capital for, but they've still got to promise decent returns.

Rebecca Quick {BIO 16400962 <GO>}

All right. This question comes from Charlie Wang, who is a shareholder in San Francisco, he says, given the unprecedented time of the economy and the debt level could there be any risks and consequences of the US government defaulting on its bonds?

Warren Edward Buffett {BIO 1387055 <GO>}

No. If you print bonds in your own currency, what happens to the currency is it can be a question because you don't default. And the United States has been smart enough and people have trusted us enough to issue, which is that in its own currency and Argentina is now having a problem because the debt isn't in their own currency and lots of countries have had that problem. And lots of competent countries will have that problem in the future. It is very painful to owe money in somebody else's currency, but listen, if I could issue a currency Buffet bucks and I had a printing press and I could borrow money, I would never default.

So what you end up getting in terms of purchasing power can be in doubt, but in terms of the US government, i.e. been standard enforce downgraded the United States government, I think it was standard for some years back. That to me did not make sense. I mean in the end how regard any corporation as stronger than a person who can print the money to pay you, I just don't understand. So don't worry about the government defaulting. I think it's kind of crazy incidentally, that should be said to have these limits on the debt and all of that sort of thing and then stopped government arguing about whether it's going to increase the limits, we're going to increase the limits on the debt. The debt isn't going to be paid. It's going to be refunded and anybody that thinks they're going to bring down the national debt. I mean there's been brief periods and I think it was the late nineties or thereabouts, when the debts come down a little bit, the country's going to print more debt. The country is going to grow in terms of its debt paying capacity but the trick is to keep borrowing in your own currency.

Rebecca Quick {BIO 16400962 <GO>}

Emphasis on the trick. This question comes from David Cass. He is a clinical professor of finance at the University of Maryland and he says, Berkshire has invested in many companies with stock buy-back programs. Recently there's been a backlash against buy-backs. What are your views on this subject?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, it's very politically correct to be against buy-backs now and they're going to incorporate it in the (inaudible) program. There's a lot of crazy things said on buy-backs. buy-backs are so simple. I mean it's a way of distributing cash to shareholders. And let's just say that you and I and Greg, the three of us decided to buy an auto dealership or a McDonald's franchise or something and we each put a million dollars in or whatever the number may be and we get along with each other and the business grows and all of that and one of us really wants to spend our share of the earnings and the other two want to leave the money in the business to grow. Now the three of us did that and we the only shareholders, we would not establish a 100% dividend payout for everybody and we wouldn't freeze the one that wanted to get out either.

The logical thing to do is to buy a portion, whatever that person wants to spend annually from the earnings, buy a portion of their stock and the other two find their interest in the company goes up and the third person still has a little more of an interest by what they leave in but they also can take some money out of the business. You're taking money out of the business and in either case and one you call dividends and you send it to everybody whether they want it or not. And with buy-backs you'd give it to the ones who want the money. And I have been following a policy of giving away stock now since 2006 and I'll give away a lot of stock. But the philanthropies that receive it, they just have to spend the money very promptly on a current basis more or less.

So they are getting $3 billion worth of stock or whatever it may be. And I'm in effect reducing my interest in Berkshire, but Berkshire still retaining more capital than I'm giving away. So I have more dollars invested, but my interest goes down and the people that need the cash to carry out the philanthropic efforts, they cash out the stock. And I don't force my sister or whoever it may be to take a bunch of money she doesn't want, she wants it reinvested. All of it, reinvest in the business. And people that don't want to consult some of their stock and the company ends up in the same position. We've distributed some of the capital that we don't need for growth. Now, whether the company should buy it depends on a couple of things. One is they ought to retain the money they need for intelligent growth prospects and that's fine.

And secondly, and this is a point that's never mentioned, they should be buying it back below what they think it's worth. Now they'll make mistakes in that, but you make mistakes in a lot of businesses isn't. But over that should be the guiding principle. And to my knowledge, JP Morgan, Jamie Diamond said out once, and we've said at various times, we will repurchase shares when it's to the advantage of the continuing shareholder to have us do so. But you read about all these buy-back problems is that we're going to spend $5 billion buying it back, or $10 billion. Well, that's like saying I'm going to go out and buy some business this year for $5 billion without knowing what you're going to get for the money. It should be price sensitive.

Obviously it should be needs sensitive obviously, but when the conditions are right, it should also be obvious to repurchase shares and there shouldn't be the slightest taint to it anymore than there is to dividends and people that have now sort of taken up the cries about how terrible it was that companies bought (inaudible) well he didn't say it was terrible for them to pay dividends to them. They'd have more money now, but they were doing what was intelligent at the time and I hope they continue to do it as intelligent as they go forth. Greg?

Gregory Edward Abel {BIO 1416724 <GO>}

No, the only thing I know you've commented on in the past, Warren, is that I think the one thing we are seeing, and obviously we're supportive of buy-backs, but there are companies that used probably their financial engineering was just a little-

Warren Edward Buffett {BIO 1387055 <GO>}

Extreme.

Gregory Edward Abel {BIO 1416724 <GO>}

Extreme and too cute that effectively you're using every ounce of your balance sheet to buy back stock at a time where you're really creating no cushion for your business for any type of event or bump in the road. And we're going to see that. And I think that's a very unfortunate outcome of them. And hence you get some of the backlash, but there are still companies as you highlighted many that do it right?

Warren Edward Buffett {BIO 1387055 <GO>}

Yeah, no, if they're buying it back because it's fashionable because they really do like the idea. There's nothing wrong with taking an action that increases the value of the remaining shares. But if they're doing it -- and I've been witness to some programs where it really is stupid, but I don't think it's immoral. I just think it's stupid basically. And on the other hand we've favor companies that take care of all our requirements for growth and as Greg says, maintain sound balance sheets and all of that, leave a margin of error for things that you can get surprised with.

And if they find their stocks selling below the business is intrinsically worth, I think that they're making a big mistake if they don't buy-in their stock. And it's got to be a political football. And like I say that when it becomes politically correct to do something in this country, if you're a politician, the best thing to do is get on board. But Berkshire is going to do what it thinks makes sense for a shareholder. And we like investing in companies that think that way too. And then not all companies obviously do.

Rebecca Quick {BIO 16400962 <GO>}

All right. Here's a question from Lou Bogart in Boca Raton, Florida. He says, I'm a longtime shareholder with a concern as I head into retirement, I understand the theory that splitting shares does nothing for the value of shares. However, with the extremely high price on A shares, when I wish to drown down some money on my portfolio in retirement, I'm facing a large tax. Say the average price has been about $300,000 this year. And I'm sitting on a $200,000 capital gains liability for each share. If I need $60,000 in additional cash during my retirement, I need to sell a full share and get hit with $200,000 tax liability.

If you would split the stock 10 for one, I could sell two $30,000 shares and keep my tax liability at a more manageable 40,000. I could also maintain more of my investment in Berkshire. He said, have you thought about this in retrospect, I should have bought B shares but didn't think about it at the time.

Warren Edward Buffett {BIO 1387055 <GO>}

Well, you can convert A to B shares, which is exactly what takes place when I give away the money in July to the five foundations. I actually convert it immediately before the gift. So they get B shares, and the truth is the B shares are very useful to people that want to either give away a small portion of what they have, or spend it or whatever it may be. So you can convert the A to B shares, which is exactly what I've been doing now for 14 years as I give it away, and solve that problem. We split the B shares, as I remember it, at one point, just to make it even more manageable so that people could deal with smaller denominations. The A shares have a different voting power. But we passed some resolution sometime ago, I think, and certainly would be the case. In any event, we're never going to give the A shares an advantage over the B. They used to have an advantage in a shareholder designated contribution program that we had, and we put that in there when we started. But that goes way back in time, and that doesn't exist anymore, so that the B and the A are going to get treated exactly the same over time. It's true, the A have more votes, and they sell very close to parity all the time. So I would say that if you want to do anything in terms of raising cash and you've got a lot of A shares, take one or two shares of A, and plenty of people I know have done this, and just cash it in and turn it into B and give yourself whatever amount of cash you want to get.

Rebecca Quick {BIO 16400962 <GO>}

This is one that comes from Thomas Lin in Taiwan. He says, Warren once said that banking is a good business if you don't do dumb things on the assets side. Given that the pandemic might put a lot of pressure on the loans, dumb things that got done in the past few years are likely to explode. Through reading annual reports, 10Qs and other public information, what clues are you looking for to decide whether a bank is run by a true banker who avoids doing dumb things?

Warren Edward Buffett {BIO 1387055 <GO>}

That's a very good question, but I would say that the one thing that made Chairman Powell's job a little easier this time than it was in 2008-09 is that the banks are in far better shape. So in terms of thinking about what was good for the economy, he was at the same time worrying about what he was going to do with bank A or bank B. To merge them was somebody or add strains to the syst or anything. The banks were very involved with a problem in 2008 and '09. They had done some things they shouldn't have done, some of them, and they were certainly in far different financial condition than now. So that the banking system is not the problem in this particular show. I mean, we decided as a people to shut down part of the part of the economy in a big way, and it was not the fault of anyone that it happened. Things do happen in this world. Earthquakes happen. Huge hurricanes happen. This was something different.

But the banks need regulation. I mean, they benefit from the FDIC, but part of having the government standing behind your deposits is to behave well. I think that the banks have behaved very well, and I think they're in very good shape. I mean, that's why the FDIC has built up a hundred billion dollars that I've talked about. I mean, they've assessed the banks in recent years at accelerated amounts in certain periods, and they even differentiated against the big banks. So they built up great reserves there. Then they built their own balance sheets and they are not presently part of Chairman Powell's problem, whereas they were very much part of Chairman Bernanke's problem back in 2008 and '09.

How you spot the people that are doing the dumb things is not easy because -- sometimes it's easy, but I don't see a lot that bothers me, but banks are in the end, institutions that operate with significant amounts of other people's money, and if problems become severe enough in an economy, even strong banks can be under a lot of stress, and we'll be very glad we've got the federal reserve system, standing behind them. I don't see special problems in the banking industry now. I could think of possibilities, and Jamie Diamond referred to this a little bit in the JP Morgan report. You can dream of scenarios that puts a lot of strain on banks, and they're not totally impossible, and that's why we have a (inaudible).

I think overall the banking system is not going to be the problem. I wouldn't say that with a 100% certainty because there are certain possibilities that exist in this world where banks could have problems. They're going to have problems with energy loans. They're going to have problems. Some, they're going to have extra problems with consumer credit. They're going to have that. But they know it, and they're well reserved. Well, they're well capitalized for it. They were reserved building in the first quarter, and they may need to build more reserves. But they are not a primary worry of mine at all. We own a lot of banks. Or, we own a lot of bank stocks.

Greg, do you have any thoughts on it?

Gregory Edward Abel {BIO 1416724 <GO>}

You touched on it earlier too, just in general, which is we don't know how long this pandemic will go. We don't know if there's going to be a second event, which are just risks that are really unknown at this time, and the banks will have to continue to manage that as the businesses do. But you've already highlighted that obviously.

Warren Edward Buffett {BIO 1387055 <GO>}

Becky?

Rebecca Quick {BIO 16400962 <GO>}

All right. This question, I was looking for one of these, because I got several questions that came in similar to this. I was looking for one of these a moment ago. This one's from Andrew Wenky. He says, "Can you ask Warren why he didn't repurchase Berkshire shares in March when they dropped to a price that was -- 30% lower than the price that he had repurchased shares for in January and February?"

Warren Edward Buffett {BIO 1387055 <GO>}

Yeah, it was very, very, very short period where they were 30% less. But we -- I don't think Berkshire shares relative to present value are at a significantly different discount than they were when we were paying somewhat higher prices. I mean, it's like Cain said, or whoever it was. I don't know. The facts change. I change my mind. What do you do, sir? We always think about it, but I don't feel that it's far more compelling to buy Berkshire shares now than I would've felt three months or six months or nine months ago. It's always a possibility. And we'll see what happens. Greg, you think about repurchasing shares?

Gregory Edward Abel {BIO 1416724 <GO>}

No, I mean generally. No, I think our approach, Warren's, the right approach. I can't really add anything other than, the approach is the right approach. We approach it when we see it's the right thing for our shareholders to be repurchasing. And that doesn't mean we're repurchasing all timer or the view doesn't change.

Warren Edward Buffett {BIO 1387055 <GO>}

There could be a price relative to value at the time, not real as what it was worth a year ago. I mean, the value of certain things have decreased. Our airline position was a mistake. Berkshire is worth less today because I took that position than if I hadn't. And there other decisions like that and it is not more compelling to buy the shares now than it was when we were buying them. It's not less compelling. I mean it's a wash. But we didn't do anything. It's not gotten -- but the price has not gotten to a level or not been at a level where it really feels way better to us than other things, including the option value of money to stop up in a big, big way.

Rebecca Quick {BIO 16400962 <GO>}

This question comes from three investors in Israel. Lidars (inaudible) Yossi Luf, and Dan Gorfung. They want to know about the credit card industry. It says, how do you explain the rise in the average credit card interest rate in recent years compared to the federal fund's rate? What are the forces that you think might keep it at or around current levels and what are the forces that might drive it lower in the future?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, that is not a subject that I'm -- obviously it affects American Express to some degree. It affects the banks we own, but interest rates on credit cards respond to competition, obviously, to loss potential, which obviously has gone up significantly in the last few months. Although it's gone down perhaps from some other periods you can pick in the past. But I don't really have much I can bring to the party on that question. Well, that isn't true. Our furniture companies, a couple of them have their own credit card or they do a lot of business on other people's credit cards.

My general advice to people, I mean, we have an interest in credit cards. But I think people should avoid using credit cards as a piggy bank to be rated. I had a woman come to see me here not long ago, and she'd come on some money. Not very much, but it was a lot to her. She's a friend of mine, and she said, what should I do with it? I said, Well, what do you owe on your credit card? She says, well, I owe X. I said, well, what you should do-- I don't know what interest rate she was paying, but I think I asked her and she knew. It was something like 18% or something.

I said, I don't know how to make 18%. I mean, if I, owed any money at 18% the first thing I do with any money I had would be to pay it off. It's going to be way better than any investment idea I've got. That wasn't what she wanted to hear. Then later on in the conversation, she talked about her daughter and her daughter had $1000 or $2,000 or something. She said, well, what should I do with, she named the girls' money? I said, Have her lend it to you. I mean, if you're willing to pay 18% or whatever, I mean, she's not going to find a better deal. I'll lend you money.

It just doesn't make sense. You can't go through life borrowing money at those rates and be better off. So, I encourage everybody, it's contrary to buy on Berkshire's interests in certain cases, and the world is in love with credit cards. But, I would suggest to anybody that the first thing they do in life is, they can get -- to something else later on, but don't be paying even 12% to anybody. I mean, it's pay that off, and if they're really a good credit, and they don't want to do it, come and see me personally. I'll lend you the money at that rate. Greg, what do you tell your children?

Gregory Edward Abel {BIO 1416724 <GO>}

Same advice. Excellent advice. No, I have three that carefully use their credit card. More I would say for not be-- obviously people use it a lot more as they go into the digital world and and e-commerce world, but then the goal has to be to repay it. It doesn't mean you, because you have to use it for those types of transactions. You run up the balance. But there's an incremental risk there now.

Warren Edward Buffett {BIO 1387055 <GO>}

It's a matter of convenience for some people.

Gregory Edward Abel {BIO 1416724 <GO>}

Yeah.

Warren Edward Buffett {BIO 1387055 <GO>}

But I would have trouble, if I were paying 12% for money or whatever it might be, it would not be a good thing. You won't see Berkshire paying that. Beck?

Rebecca Quick {BIO 16400962 <GO>}

Warren, this question is from Lindsay Schumacher. (Multiple Speaker)

Warren Edward Buffett {BIO 1387055 <GO>}

Well, we probably ought to wind this up maybe in 15 minutes. Can you select the best ones?

Rebecca Quick {BIO 16400962 <GO>}

Okay. Absolutely. I've got a couple more questions for you. This one's from Lindsey Schumacher. She says, Warren, what's your opinion regarding the Payroll Protection Plan?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, I don't want to get into politics generally, but I think that's a very good idea to take care of the people that are having terrible troubles taking care of themselves in a period like this. I mean, if the government and surrounding conditions and whatever it may be. If you're telling a lot of businesses essentially, quit doing business for a long time, and it's one thing to tell me, but to tell somebody that's living from paycheck to paycheck that way. I'm all for it. It must be hell to administer. I mean, any huge program. I'll never get into criticizing on how people do this or that because I've had problems myself in running a few big things. It just isn't that easy to inaugurate incredibly large problems.

There's going to be a certain amount of fraud. Everything doesn't go perfectly, but I am a 100% for taking care of the people that really get hurt by something that they've got nothing to do with. Who knows how long it lasts. You've got millions and millions of people that are worrying about something that they weren't worried about a few months ago, and they didn't do anything. They showed up for work on time and they pleased the people they dealt with, whatever it may have been. Now they don't have a job, or they've been furloughed or whatever.

So, I'm totally for the basic idea, and I think it's very difficult. We can't carry it out perfectly. You do your best, and you do it promptly. I give real credit to both Congress for acting promptly on what the problem is. They've sort of caught on from what they learned in 2008 and '09 I think, and I give credit to trying to do what I think is very much the right thing. I don't sit around and think about how I could do it better. Greg?

Gregory Edward Abel {BIO 1416724 <GO>}

I agree with the comments.

Rebecca Quick {BIO 16400962 <GO>}

Warren, this question comes from Bill Murray, the actor, who's also a shareholder in Berkshire. He says this pandemic will graduate a new class of war veterans. Healthcare, food supply, deliveries, community services. So many owe so much to these few. How might this great country take our turn and care for all of them?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, we won't be able to pay, actually. It's like people that landed at Normandy or something. I mean the poor, the disadvantaged, they suffer. There's an unimaginable suffering. At the same time they're doing all these things. They're working 24 hour days, and we don't even know their names. So if we go overboard on something, we ought to do things that are going to help those people. This country, said it a lot of times before. But the history of it. I mean, we are a rich, rich, rich country, and the people that are doing the kind of work that Bill talks about, they're contributing a whole lot more than some of the people that came out of the right womb, or got lucky and things, or know how to arbitrage bonds or whatever it may be.

In a large part, I'm one of those guys. So you really try to create a society that under normal conditions with more than $60,000 of GDP per capita, that anybody that worked 40 hours a week can have a decent life without a second job and with a couple of kids. They can't live like kings. I don't mean that. But nobody should be left behind. It's like a rich family. You find rich families, and if they have five heirs or six heirs, they try and pick maybe the most able one to run the business. But they don't forget about. Actually, maybe a better citizen in some ways even than the one that does the best at business. But it just doesn't have market value skills. So I do not think that a very rich company ought to totally abide by what the market dishes out in 18th century style or something was something of the sort.

I welcome ideas that go in that direction. We've gone in that direction. We did come up with social security in the 30s. We've made some progress, but, we ought to. I mean, we have become very, very, very rich as a country, and things have improved for the bottom 20%. I mean, you can see various statistics on that. But I'd rather be in the bottom 20% now than be in the bottom 20% a 100 years ago or 50 years ago.

But what's really improved, the top 1%, and I hope we as a country move in a direction where people Bill was talking about get treated better, and it isn't going to hurt. It isn't going to hurt the country's growth, and it's overdue. But a lot of things are overdue. I will still say we're a better society than we were a 100 years ago, but you would think with our prosperity we wouldn't hold ourselves to even higher standards of taking care of her fellow man, particularly when you see a situation like you've got today where it's the people whose names you don't know that are watching the people come in and watching the bodies go out. Greg?

Gregory Edward Abel {BIO 1416724 <GO>}

Yeah. The only other group that I would highlight, and I think it'll be very interesting how it plays out is with the number of home schooling and the children that are home. We've always had so much respect for teachers, but we all talk about how we don't take care of them. It is remarkable to hear how many people comment that clearly we don't recognize, or I have a little eight year old Beckett at home and plenty of challenges for mom, but all of a sudden you respect the institution, the school, the teachers and everything around it.

Then when I think of our companies and the delivery employees we have, it's absolutely amazing what they're doing, and they're truly on the front line. That's where we have our challenges around keeping them health and safety. Then you go all the way to the rail. The best videos you see out of our companies are when we have folks that are actively engaged in moving supplies, food, medical products, and they're so proud of it, and they recognize they're making a difference. So a lot of it is we just sold them a great thanks. Warren, you touched on it. We can some way, maybe hopefully longer term compensate them, but there's a great deal of thanks, and I probably just think an immense amount new appreciation for a variety of folks.

Warren Edward Buffett {BIO 1387055 <GO>}

We're going in the right direction all around the country, but it's been awfully slow.

Gregory Edward Abel {BIO 1416724 <GO>}

Yeah.

Rebecca Quick {BIO 16400962 <GO>}

Gentlemen, I'll make this the last question. It comes from Phil King. He says, Many people in the press and politics are questioning the validity of capitalism. What can you say to them that might prompt them to take a look at capitalism more favorably?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, the market system works wonders, and it's also brutal if left entirely to itself. We wouldn't be the country we are if the market system hadn't been allowed to function. To some extent you can say that other countries around the world that have improved their way of life dramatically, to some extent have copied us. So the market system is marvelous in many respects. But it needs government, and it is creative destruction. But for the ones who are destroyed, it can be a very brutal game, and for the people who work in the industries and all of that sort of thing. So I do not want to come up with anything different than capitalism, but I certainly do not want unfettered capitalism. I don't think we'll move away from it, but I think we capitalists, I'm one of them. I think there's a lot of thought that should be given to what would happened if we all drew straws again for particular market based skills.

Somewhere way back, somebody invented television, I don't know what it was. Then they embedded cable, then they invented pay systems and all of that. So a fellow that could the bat.406 in 1941 was worth $20,000 a year and now a marginal big leaguer makes greater sums because in effect, the stadium size was increased from 30 or 40 or 50,000 people to the country, and the market system, capitalism took over. It's very uneven and it's only, I think the (inaudible) worth a lot more money than I ever should make.

But the market system can work toward a winner takes all type situation, and we don't want to discourage people from working hard and thinking hard. But that alone doesn't do it. There is a, a lot of randomness in the capitalist system, including inherited wealth. I think we can keep the best parts of our market system and capitalism, and we can do a better job of making sure that everybody participates in the prosperity that that produces. Greg?

Gregory Edward Abel {BIO 1416724 <GO>}

Yeah, no, I think it's always keeping the best parts of it. I even think if we look at the current environment we're in, i.e., in the pandemic and we have to do it only when we can do it properly and re-emerge. But in some ways the best opportunity for people is when we're back working clearly, and that the system's functioning again. But that's the obvious. Then there's, Warren, you've highlighted, there's a lot of imperfections, but it's definitely the best model out there that just needs some fine tuning.

Warren Edward Buffett {BIO 1387055 <GO>}

Becky, at the end. (Multiple Speaker) I could just say, oh, sure, go ahead.

Rebecca Quick {BIO 16400962 <GO>}

Can I just slip in one more quick question? I forgot this one. Someone sent it in earlier. Thanks. Anderson haxton wrote in, he said, Warren mentioned that Ben Graham is one of the three smartest people he's ever met. I'd like to ask him the names of the other two.

Warren Edward Buffett {BIO 1387055 <GO>}

Well, I may not be one of the smartest, but I'm smart enough not to name the other two. I'd make two people happy. Ben Graham is one of the three smartest people. I've known some really smart people. Smartness does not necessarily equate to wisdom either. Ben Graham, one of the things he said he liked to do every day was he wanted to do something creative, something generous, and something foolish. He said he was pretty good at the latter. But it was pretty good. It was amazing, actually at the creative. But it's interesting that IQ does not always translate into rationality and behavioral success or wisdom. So I know some peoples that are extraordinarily wise that would not be in the top three on an IQ test. But if I wanted their judgment on some matter, even if I wanted to put them in a position of responsibility someplace, I might prefer them to, we'll say one of the three. That'll leave the other two feeling fine, of the three. Greg, do you have any thoughts on that?

Gregory Edward Abel {BIO 1416724 <GO>}

Nope, I agree with the person you named.

Warren Edward Buffett {BIO 1387055 <GO>}

Yeah. Becky. I would just say again that I hope we don't, but we may got some unpleasant surprises. We're dealing with a virus that spreads its wings in a certain way, in very unpredictable ways. How Americans react to it. There's all kinds of possibilities. But I definitely come to the conclusion after weighing all that sort of stuff. Never bet against America. So, thanks.

Gregory Edward Abel {BIO 1416724 <GO>}

Yep.

Rebecca Quick {BIO 16400962 <GO>}

Thank you. I appreciate your time tonight.

Warren Edward Buffett {BIO 1387055 <GO>}

We'll see you next year, and we'll fill this place. Okay. Okay. Good night everybody.

Jennifer Rogers {BIO 2325313 <GO>}

Well that there was something. I will come back to Yahoo Finance's special coverage of the Berkshire Hathaway Annual Meeting, live from Omaha, Nebraska. You've been watching Warren Buffett's speaking there for just about four and a half hours. He was joined by Greg Abel answering questions there.

When Buffett started today was really an extended opening statement full of slides, a history lesson and his advice to never ever bet against America. He said, the American miracle, the American magic has always prevailed and then just in those closing remarks, you heard him again talking about that.

So of course Greg Abel was there instead of Charlie Munger, who is usually right next to Buffett. Again, this all started at 04:45 Eastern time. So while there are a lot of things that were different this year, one thing that is the same isn't Warren Buffett can go for hours. Lot's of headlines out of this meeting a Berkshire has exited his stakes in four US Airlines, a Warren Buffett saying that the world has changed for airlines. Berkshire posted a record $137 billion of cash at the end of March. They -- have the cash but they aren't doing deals. He said we haven't seen anything attractive.

So I want to go to Andy Serwer, one of the smartest people I know, Andy on the floor there. You have been in the room where everything was going on. Tell us about what stood out to you.

Andrew Serwer

Who are the two other smartest. Myles and Julia, Whitney Tilson no doubt. You can see right behind me that Warren Buffett and Greg Abel are done they finished. I mean, what amazing stamina, right? I mean, here's the guy's 89 years old, he talk in excess of four hours. He's so passionate about all this stuff. But, you know, there's so many different things going on, first of all, that soliloquy, that history lesson, at the very beginning was, really unprecedented and really amazing.

And then, of course, getting into the questions and people, I'm always really impressed. I'll be honest with you with the depth of the questions by the Berkshire shareholders, I mean, that you've got, the world's best accounting and investors, accountants and investments, managers asking the questions are really, really striking.

And as seen here, there were about, 12 people here and just seeing all the social media coming in, where this little place here with just a few people and, hundreds of thousands, millions of people from around the world watching and listening. And, you know, it's kind of amazing a different kind of feeling, as far as that's concerned as well.

Can you see Warren and Greg are still up there. So they can't get away back to you guys.

Jennifer Rogers {BIO 2325313 <GO>}

They keep going. So I want to bring in Myles and Julia. We also have Whitney Tilson from Empire Financial. Myles, Let's start with you. I just was really struck from the beginning with his big bullish bet on America. And then the news that he sold over $6 billion in stock in April. So how do you square all of that? What is his outlook for the situation that we're in right now with coronavirus and the economy?

Myles Udland {BIO 20165611 <GO>}

Well, that's the thing is that whole wind up 75 odd minutes over exactly how long it was. I think it sounds like a bullish bet. But it wasn't really a bullish bet on America, especially considering the way that Buffett has tended to discuss his view of the American tailwind, this idea is discussed. For a number of years now, I mean, I thought he was cautious at best.

And I mean, maybe we're just kind of parsing things a little bit. But at the same time, you know, the guy's been in the public are for 30, 40 years. And he's mostly said similar things. So all we really have to go on as a close reading, I guess.

Buffett in my reading was, you can bet on America long term, but you better be long term. I mean, you better not be sitting here thinking this is going to turn around quickly. I think that's a pretty big shift in my view, of how Buffett normally Sees things. And so I think the tone was measured cautious those are probably the best words we can use.

And his actions, speak much louder than anything he said. He sells the airlines as we're going to discuss. He doesn't buy back the shares and his defense there was he was fine. I mean, I understand what he's saying. But there's still a lot of questions about why isn't he aggressively buying back shares and he's, he's waiting. I mean, isn't -- with conviction the need to do anything right now. And I think that's markedly different than the way that we've seen Buffett in the last couple years.

And I would just add, I thought he's been like I think he's been watching Andrew (inaudible) press conferences and saw the slides and said, that's a great idea. I want to communicate that way. Because the tone of his slides are very similar to the combo [ph]. Maybe, I'm just watching way too many intercom press conferences. What else are we going to do.

But there was, I saw the inspiration I guess, from almost Warren (inaudible).

Jennifer Rogers {BIO 2325313 <GO>}

I hat tip there to follow Julia, what do you think because I did go back and we visit the (Technical Difficulty).

Julia La Roche

I think I lost it for a second there.

Andrew Serwer

So go ahead, Julia.

Julia La Roche

Okay, yeah. I don't know what to ask she. But I'll give you my views. I agree with Myles. I kind of got this same sense that there was a little bit of, like he just said, just a little bit more measured. But it does take the long view. And I gotta say, I think this is the kind of shareholder meeting that we needed right now, given the situation that we're in, we're all in lockdown still pretty much and to hear from Warren Buffett for that long, was great.

I think when you look at what makes him such a great leader is that he's got this candor about him and he was answering some pretty tough questions.

Being very forthright about exiting the airline stocks. Talking about this share buybacks, I was a little bit surprised that he has been both a critic and the supporter of buybacks in the past. And I think he does make a compelling point that it has become this political football.

And then also, you know, answering I love to hear Whitney Tilson thoughts on this about the share repurchases or lack thereof, of the Berkshire Hathaway share repurchases, when they had the follow on question there, again question back to the audience that we were talking about a massive audience out there global all around the world, Andy you were making reference to that and I Love that Bill Murray asked a question right toward the end.

About just how can we kind of repay those who are on the front lines. I just love that question. And it was overall, I thought it was a fantastic shareholder meeting.

FINAL

Bloomberg Transcript

Myles Udland {BIO 20165611 <GO>}

Yeah, I agree. Interesting structurally, the big headline, I guess has to be the airlines and the fact that, that Buffett said that he sold all the stakes out, but let's take a listen to how he describe that.

Rebecca Quick {BIO 16400962 <GO>}

Just to clarify on his question, he asked Did you sell your whole stake in all four of those companies?

Warren Edward Buffett {BIO 1387055 <GO>}

Oh, yeah. The answer is yes. Yeah. When we sell something, very often it's going to be our entire stake. I mean we don't trim positions. That's just not the way we approach it any more than if we buy a 100% of a business, we're going to sell it down to 90% or 80%. I mean, if we like a business, we're going to buy as much of it as we can and keep it as long as we can. Well, when we change our mind -- Go ahead, I'm sorry.

Rebecca Quick {BIO 16400962 <GO>}

The next question -- when you change your mind?

Warren Edward Buffett {BIO 1387055 <GO>}

Well, when we change our mind, we don't take half measures or anything of the sort. So I was amazed at how frankly. Now, we were selling them at far lower prices than we paid. But I was amazed at the volume there. Airlines always trade in large volume relatively, but we have sold the entire positions.

Myles Udland {BIO 20165611 <GO>}

Alright, I want to bring in our guests, Whitney Tilson and Whitney, what's your reaction to that airline sale and other thoughts you might have.

Whitney Tilson {BIO 5473807 <GO>}

Yeah, well, specific to the airlines. I wasn't surprised at all, was he -- it was public information two weeks ago that he sold a bunch of delta and SouthWest. And like you said, When Buffett takes an action, he generally follows through on it. So the moment I saw he in the 10-Q, the disclosure that they sold 6.1 billion of equities. I figured it was the rest of the airlines and that turned out to be exactly right.

So it's not big news to me. But the single biggest takeaway from the meeting for me was we just watched an 89 year old man, go for a 4.5 hours straight. And I don't know about you guys, but I'm exhausted. Just trying to follow four and a half hours and pay attention, because I worry that you might ask me a question about something they said in the meeting, and I wasn't paying attention, right. So I had to pay attention for four and a half hours.

And so it's incredible that a guy at that age has that kind of mental stamina, just forget the physical stamina. So as a long term, Berkshire Hathaway shareholder, the thing you really have to worry about is Buffett's cognitive decline. And I didn't see any of it. I can't say he's getting better with age, but if you played a recording of the annual meeting from five years ago versus today. I could not tell you which was which, I'm not seeing any decline at all. So that's really important.

Myles Udland {BIO 20165611 <GO>}

Yeah, right. Go ahead, Julia.

Julia La Roche

Yeah, Whitney someone who's been watching I guess it's now your 23rd annual meeting that you've been watching? What was kind of your read? We were talking earlier at the top of the show with Myles was at least as well. What was your read on his kind of sentiment? What are you sensing that he's bullish. Are you kind of getting some maybe bear to undertones there?

Whitney Tilson {BIO 5473807 <GO>}

No. I mean, as I said before the meeting that -- I mean, I knew he was going to say we're bullish on America, et cetera, et cetera. But you got to watch what people do not what they say. And he's been a net seller of equities to the tune of about $3.4 billion so far this year, in a period of time when I thought anyway, it was raining gold. So he clearly does not think it was raining gold and I think the single most -- he was very cautious that's the word Myles you used, I agree with entirely, I would say very conservative. I'm not gonna say bearish. Because, it's not like he's dumping off equities or looking to sell holding on businesses and all. So he's still long term bullish and I completely agree with him on that.

But I do wish I mean, he can't control the phone ringing. And maybe he was waiting for stocks to get cheaper out there, though honestly, with all the bank stocks that he loves so much, they were all down 40% and he couldn't find a single bank stock to buy. And Berkshire stock itself fell more than 30% and he pointed out that it wasn't a lot of volume. But he sometimes just those little things on principle, he couldn't have bought a little bit of stock below $250,000 a share. Even in the absence of volume, it certainly would have signaled that, hey, even if you do something in small scale, that makes sense. It makes sense to do as much as you can. I mean, who knows how long it would have stayed down there, right.

So he said though, I'm going to quote. He said it -- he said the reason he didn't is because it was quote, not more compelling. His share price was not more compelling at current prices or at $250,000 a share, then it was when he was repurchasing back in early March at $300,000 a share according to their filings in the 10-Q. So he's clearly saying that

Berkshire Hathaway's intrinsic value has been impaired here and he doesn't know by how much. But the other really interesting quote is when he said that, he said, including the option value of money, in other words, Berkshire Hathaway may well be cheaper today relative to intrinsic value than it was a couple months ago. But the value of cash has skyrocketed since this Coronavirus crisis.

So that makes me rethink Okay, maybe I'm okay with you not buying back as much stock as I would have liked to see. Because having cash, the old thing in the land of the blind, the one eyed man is king. Well, when you have cash in a world that's going crazy, that cash becomes much more valuable. So, that's the best Buffett was making.

Jennifer Rogers {BIO 2325313 <GO>}

Whitney Tilson, thank you so much for sticking with us through, as you said it was more than four hours. Impressive performance there, we really enjoy you joining us right now. We're going to be back after a short break with our final sauce on Berkshire Hathaway's Annual Meeting.

The Berkshire Hathaway annual meeting, Andy Serwer is in Omaha. He was one of just a very few people that were there in the convention center while the meeting was going on. So Andy, we've covered the airline news here, which was a big deal. Your final thoughts on what stood out to you?

Andrew Serwer

Well, let's face it, I mean, he was giving a pep talk to America. And he kept saying over-and-over again, never bet against America. He was really trying to cheer this country up and trying to reiterate that through all this, we were going to persevere, survive and ultimately thrive.

And the extent that we need it. Thank you, Mr. Buffett. I think a lot of people out there maybe have taken some little bit of hope out of that conversation we had today. And Myles. What about you?

Myles Udland {BIO 20165611 <GO>}

Yeah, Andy. I mean, it's sort of echoes things that we've discussed on our program. It was are we trying to talk others up, or our talk ourselves up? I wonder how much of his commentary was that slipped. Something Andy you treat out during the meeting, I think it's interesting because it applies to so many investors. And also, of course, Warren Buffett, which is a Fed active so swiftly, and with so much force, some opportunities that he thought might come to him just did not now I think we have a very long way to go in this crisis.

But I think if you ran the 2008 playbook back investor said, I've got a few months here to be patient and to see what happens, but that happened in about two weeks, three weeks at most, and so I think Buffett has been surprised, pleasantly surprised. I would advise the

Feds actions but certainly Hamstrung what he could do ever so slightly. All right, Julie LaRoche, what do you got?

Julia La Roche

Yeah. Hey, Myles. I think that's an interesting point. Because if you remember earlier there, he said he would put Jay Powell up on a pedestal just like Paul Walker also (inaudible) out on Paul Walker's book. And then Andy, to your point, I think you're right. I think in this moment in time, this is going to be a meeting that we are going to remember forever, just the way we covered it. You've been there in Omaha in the Mt. CHI Healthcenter arena. This is something that we've talked about for many, many years to come. And it's this time where we need to hear that message adult bet against America.

I guess if I had to do a separate party and thought on Greg Abel, it was great to get to see Greg Abel and action on the stage to hear his thoughts. I thought I really appreciate his comments about share buybacks, about how some folks aren't very prudent about it that they're not thinking about. They're getting a little too cute, I guess the financial Engineering and balance sheet, you're using every ounce of that. And I think there's going to be this bigger takeaway that you're going to have to be prepared for rainy, inevitable days that will come.

Jennifer Rogers {BIO 2325313 <GO>}

Yes, indeed. And as you said, the virus is going to determine our behavior. I think we all notice a very different year. Thank you all so much for joining us. For our exclusive coverage of the Berkshire Hathaway Annual Meeting, you can go to our landing page, yahoofinance.com we have all the highlights there, you can get all caught up. Again. Thank you. From all of us at Yahoo Finance, stay safe and have a great weekend.