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Market Intelligence

Berkshire Hathaway Inc. NYSE:BRK.A

Shareholder/Analyst Call

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Table of Contents

Call Participants

EXECUTIVES

Daniel Jerome Jaksich
VP, Controller & Principal Accounting Officer

Debbie Bosanek;Secretary

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Marc David Hamburg
Senior VP, CFO & Secretary

Warren E. Buffett
Chairman, President & CEO

ATTENDEES

Becky Quick;CNBC

Unknown Attendee

Presentation

Warren E. Buffett
Chairman, President & CEO

And this is 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 of 60 years, Charlie Munger, is not sitting up here, and I think most of the people that 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's just skipped right by me technologically, but that really isn't such a huge achievement. It's more like 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 show 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 across dozens of industries and has more than 300,000 employees, and he's been at that 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 1/4 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 4 parts. In a moment or 2, I will talk, just 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 who says you can't teach an old dog new tricks, so we'll see whether you can or not. And I've got a number of slides, and I would 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 in berkshirehathaway.com this morning, and there's lots and lots of detail in there, so I'm not going to go through that. I'll point out 1 or 2 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.

Then 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 selected from a huge batch that I'm told she's 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 say, we'll go for a couple of hours, and there's no specified cutoff time at present. We'll just see how things develop.

And what's, of course, on everybody's mind the last 2 months or so is what's going to be the situation 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. In school, I did okay in accounting, but I 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 to have somebody at 79 years of age who appears to be able to work 24 hours a day and keep a good humor about him and communicate in a very, very straightforward manner about fairly complex subjects and tell you when he knows something and when he doesn't know something. So I'm not going to talk about any political figures at all or politics generally this afternoon, but I do feel that I owe a huge debt of gratitude to Dr. Fauci for educating and informing me, actually, along with my friend, Bill Gates, too, as to what's going on. And I know I get it from a straight shooter when I get it from either one of those. So thank you, Dr. Fauci.

When this hit us, and as I sit here in this auditorium with 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 full. And there wasn't one person in that crowd -- this was in January -- there wasn't one person in that crowd that didn't think that March Madness wasn't going to occur. 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 seemed to me there was an extraordinary wide variety of possibilities on both the health side and on the economic side. I mean it was, in other words, DEFCON 5 on one side and DEFCON 1 on the other side. And nobody really knows, of course, all the possibilities that there are, and they don't know what 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 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 respect. We know we're not getting the best case and we know we're not getting the worst case. The possibility initially of the virus was hard to evaluate and it's still hard to evaluate. There's a lot of things that we've learned about it and a lot of things we know we don't know. But at least 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, has been very transmissible. But on the good side, and it's not that good, but it is not as lethal as it might have been. We had Spanish flu in 1918, and my dad and 4 siblings and his parents went through it, and they have a terrific story in the March 15 edition of the Omaha World-Herald that you can go to omaha.com and look up. It's also on the first page, I believe, on Google if you put in Spanish flu Omaha. And during that particular time, in maybe 4 months or so, Omaha had 974, I believe, deaths. And that was 0.5% of the population, and that figure wasn't greatly different than around the country. So if you think about 0.5% of the population now, you're talking 1.7 million or thereabouts people. And unfortunately and in terms of the worst case, this does not appear to -- and I think you can almost rule that out being as lethal as the Spanish flu was, but it's very, very transmissible. And of course, we have the problem. We don't know the denominator in terms of exactly how lethal that is because we don't know how many people have had it, didn't know they had it. But in any event, the range of probabilities on health have narrowed down somewhat. I would say the range of probabilities or possibilities 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 roadbed 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 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 on 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 any that quite resembles this problem, but we faced tougher problems. And the American miracle, the America magic has always prevailed, and it will do so again. And I would like to take you through a 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. I mean can you imagine that? For 231 years, there's always been people that wanted to come here. Now my friend, I think, has gone just a shade on putting up Slide 1, but I'm going to call some slides as we go along.

But the interesting thing about this country is, what is on Slide 1? 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 or 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 as a little spot in history.

And if we go to Slide 2, I've tried to estimate, well, let's go back, and we'd stay with Slide 2. But the population in 1790, we had 3.9 million people here. It's nice 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. 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 who were slaves at the time. But those 3.9 million people were 0.5% of the population of the planet. And if you had 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 -- and that I think they've been drinking heavily and even had a little pot, and they still could not in their wildest dreams have thought that in 3 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, and they're flying people at 40,000 feet coast-to-coast in 5 hours. That great universities would exist in one state after another, great hospital systems. And entertainment would be delivered to people in a way nobody could have dreamt of in 1790. This country in 231 years has exceeded anybody's dreams.

I went to the Internet in 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. And 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, and 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 what I would consider reliable figures. You can find out how many mules there were in the country and a few things like that and trying to add them up. But in real estate, when you find them, when you're looking at houses or apartment houses or office buildings that they're each slightly different than each other, but they look to 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, we purchased for $15 million -- we made the Louisiana Purchase. That's a little later than 1789, but that's the best comp as they say in real estate. That's the best comp we could find for landmass anyway. And when we made that purchase, that was equal incidentally to about 1/4 of the 800,000-plus square miles, but it was about 1/4 of what the lower 48 states now contained. So we bought about 1/4 of the lower 48 for those $15 million back in 1803.

And if you live in Texas and your grandfather is close to dying, and he calls the grandchildren, children around him. And in his final words, he always says, don't sell the mineral rights. Well, the French sold us the 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, and they produced 21 billion barrels of oil for us and a lot of natural gas since the purchase. One of the sidelights is that we paid our $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 an ounce. And that $3 million that the French took and we got South Dakota as part of the Louisiana Purchase. And the Homestake Mine up there, before it closed, produced well over 40 million ounces of gold. And 40 million ounces of gold 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. And 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 a crazy figure. Now if I've been an academician or something, I would have put $1.1074 billion, 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. Well, 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 family, maybe 45 million rental apartments and so on. So you start 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 $100 trillion. We have more than $100 trillion of household wealth, even though the stock market has gone down somewhat since the last quarterly report.

So you say, well, we've had a lot of inflation and 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 1 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 1, which is really, it's mind-blowing, 5,000 for 1 in real terms in a country that had 0.5% of the -- and a bunch of raw land, but a vision 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. And as a matter of fact, we had been in this birth of this country, we'd been, what, into it 72 years. And if we go to the next slide.

1861, we now had about 31 million people. The 1960 census 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 told people in 1789 that in 72 years you were going to have a division that caused 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 within 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 1/3 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 -- deliberately 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 18 to 60 group of males were by far the great proportion. So imagine 6% of your working prime age males in the country were wiped out in 4 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 4 billion 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 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 & Poor's has probably been regarded as 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 in buying stocks on margin. It worked wonderfully in the Roaring '20s, had a good feeling to it with the auto coming of age and the day 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 thereto. But the movies were coming on. It was a happy place.

And then, of course, if we'll 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 had this recent situation where in a shorter period of time, we lost about 1/3. But the crash -- and there's a great book about it called The Great Crash by John Kenneth Galbraith.

Let me interject one little plug here. There's a small business in Omaha, and I hate what truncating this meeting or changing it so dramatically has done to many of the businesses in Omaha because I think small business were the beneficiaries. They got a lot of business with the 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 anything I recommend, think about just putting Bookworm and Omaha. And The Great Crash is a wonderful book and John Kenneth Galbraith describes it.

But I would like to get into a bit of a personal note, which will have some relevance, not too much, but 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 salesman by a local small bank. And he sold stocks and bonds, but he mostly sold stocks. And when stocks fall 48% and you were selling them to 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 is, 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 around the yard anyway. 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 9 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. 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 thereabouts. 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 that occurred at least a dozen times, although not always when stock markets were important. But we had many recessions in the United States over the time, and this did not look like it was something dramatically out of the ordinary.

And for a while, actually for about 10 days after my birth, that view held on 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 a level of 240 to 41, which was a noticeable decline because if somebody had given me $1,000 on the day I was born and I bought stock with it and bought the Dow average, my $1,000 would have become $170 in less than 2 years. And that is something that none of us ever experienced. We may have had with one stock occasionally. But in terms of having a broad range of America marked down 83% in 2 years and marked down 89% of the peak, that was in September 3, 1929, was extraordinary.

And in that intervening period, less than 1 year after I was born, slightly less than 1 year, my dad went to the bank where he worked and had his account. And of course, the bank had a sign on it, closed. And so he had no job and he had 2 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 had said to my father that, don't worry about your groceries. All right, he says, I'll just let your bill run. That was my grandfather, not 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, and I don't think the economists generally like to give it that much of a point of importance, but if we had the FDIC 10 years earlier, the FDIC started on January 1, 1934. It was part of the sweeping legislation that took place when Roosevelt came in. But if we had the FDIC, we would have had a much, much different experience, I believe, in the Great Depression. People blame it on Smoot-Hawley. 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 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 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 or at least they don't appreciate it. But the FDIC has not cost the American taxpayer 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, associated with the federal government. But now it holds $100 billion, and that consists of premiums that were paid in and investment income on the premium, less 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 in 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 4 of 1951 that the kid who was born on August 30 in 1930 had finished college before the stock market got back to where it was at that earlier time. So take the years from 1930 or 1929 really to 1951 or take the year from my birth, 20 years, and bear in mind that the country was only 140 years old when this started. That's 20 years out of this amazing 231-year lifetime of our country that was flat out for a long time of no economic growth and no feeling by people in terms about wealth of the country, about what American economy was worth with 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 late 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 thereabouts 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 seemed a little far-fetched because it was a different country in 1954, but that was the common question.

And it actually achieved, it achieved such a level of worry about whether we were about to jump off another cliff just because the 381 of 1929 have been exceeded that they held Senator Fulbright, Will 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 for a special investigation and he called it the, what do you 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 had some illustrious names. And this committee in March of 1955 with the Dow at 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've 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 boss, the reason I'm familiar with this 1,000-page book that I have here, I found it last night in the library there, was that I was working in New York for 1 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 right after General Wood, who was running Sears, testified. Sears was very, very important then. And Bill Martin, of course, is the fellow that, the 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 bowl 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 and to gather some information for him, something you can do in 5 minutes with the 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 he had a quote which I remember. And I remember because Ben Graham was 1 of the 3 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, The 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, let's see, the Dow went down 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 $1. All you did was had to believe in America, just buy 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. But you'd have 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. And we found that nothing can stop America when you get right down to it. And it's been true all along, and they 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 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 -- 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 efficiently 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 can recognize that. And you certainly say, you can argue maybe a little bit about life and pursuit of happiness, but I don't see how in the world anybody can reconcile liberty with the idea that, that 15% of the population was enslaved. And it took us a long time to at least partially correct that. The economy 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 of our country's 231 years, it took 131 years until women were guaranteed the right to vote for our country's leaders. And then what's even more remarkable is that after we adopted the 19th Amendment in 1920, it took 61 more years until a woman was allowed to join those 8 males on the Supreme Court. I grew up thinking that the Supreme Court -- must have been said they had to be 9 men. But at 61 years, so it 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 they weren't half the lawyers. They 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, if you were flipping coins, is about 8 billion to 1. And 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. We are a better society than 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 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 are 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 into 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. And 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 10, 2001, and we learned it a few months ago in terms of the virus. Anything can happen in terms of markets. 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 11, I believe, Monday. Markets went down 22% in 1 day. In 1914, they closed the stock market for about 4 months. After 9/11, closed the market for 4 days. We hustled to get it going again, but nobody knows what's going to happen tomorrow. So when you bet, I tell you to bet on America. And I tell you that, that's what's really gotten me through ever since I 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.

And I would like to, in context of the present news, point out something you may find kind of interesting. If you go to YouTube, you'll find on June 17, 2015, 4-plus years ago, you'll find Sam Nunn. He was one of the people I admire the most in the United States and in the world. An enormous patriot, tremendous senator, and he's carried on thankless work since leaving the Senate, and I'd say 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 an organization still 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 it 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 same kind of nut that sent the anthrax letters and around 9/11 a little after. And Sam appeared on this YouTube presentation. And I'm sure he's been on many others. I just happened to look this one up. And he talked about the dangers of the pandemic, and anybody should listen to Sam on any time he talks.

So he said at that time, germs don't have borders, which we certainly learned in the last couple of months. When I clicked on YouTube -- if you'll go to the next -- I find out that recently, it had 831 views, and this is only a few days ago. I looked it up. And maybe I don't know whether most of those views has just been the last few days because -- in 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, and so we can experience 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 and at least in my view, margin to 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 fifth or sixth grade that anything, you're going to have any series of numbers times 0 and just need one 0 in there and the answer is 0. 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, got it right here, book was brought out. And Johns Hopkins, one of the most respected institutions in 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 Moniz, the former Secretary of Energy, who now is the CEO of NTI. He and Sam are Co-Chairman. 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 risk 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 rank pretty well, but all of the countries got a failing grade basically. Now you would think that the prestige of Johns Hopkins and The Economist, along with people like Sam and Ernie, et cetera, that this would have 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 of days ago, 1,498 views. And 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 bolts from the blue, and you can read papers about them, and you can talk about what will happen if some -- as the fellows at Salomon used to tell me, some 25-sigma event comes along.

And on that, I'd say this, that will happen once in the life of the universe and then it happens to them a couple of 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, and they're going to outperform Treasury bills. They're going to outperform that money you 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, 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 had saved a small amount of money, and it wasn't easy to save, you might have bought with those savings, you might have 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've 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 important that you develop an opinion on them minute by minute. Now that's really foolish when you think about it, and that's something Graham taught me in 1949. I mean that single thought, stocks were parts of businesses and not just little things that moved around on charts. 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 of 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 on Monday morning, somebody will buy your 100 shares or sell you another 100 shares at exactly the same price, and that goes on 5 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; 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 you get this idiot that buys a 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, there were never any quote, but 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 he'll buy at, 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 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 is going to yell out tomorrow or next, your neighboring farmer is going to yell out tomorrow or next week or next month. There's huge money in 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 business that you liked prior to the virus arriving, it changes prices and it changes, but nobody is 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've done that -- if I'd done that when I 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 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 interruptions. 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 Monday, 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 his 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 what the farmer is going to yell out next. There's huge amounts of money that people pay for advice they really don't need and for advice for the person giving it. It can be very well meaning 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 is going to deliver what the business produces. And the idea that you can outsmart the person next to you or the person advising you can outsmart the person sitting next to you, well, it's really the wrong approach.

So the fine businesses get a cross section. 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. It's very human if you keep repeating something often. That's why lawyers get the witnesses to 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. You are dealing with something fundamentally advantageous, in my view, in owning 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 2 different ways. We do it by buying entire businesses, and we buy parts of businesses. And I would like to emphasize that while I 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 do try to pick 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 interests 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 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. I'm 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 I think that's kind of for an 89 and kind of a optimistic viewpoint. But I hope that really, everybody would buy stocks with the idea that they're buying partnerships in 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 say we've got Becky's e-mail address. So if you have questions on what I've said or other things, you can e-mail these questions. And she's back there probably sort of a madhouse trying to handle questions coming in and pick out the one she is going to prioritize, but feel free to, anything I've talked about so far to send along 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 put up -- do we have the slides on that? Here we are. Our operating earnings were -- and there's much more about this in the 10-Q 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 I'm not -- 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 of that sort. 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 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 3 major businesses of insurance and the BNSF railroad and our energy business, so those are our 3 largest by some margin. They're in a reasonably decent position. They'll 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 the earnings decline somewhat. And if we'll go to Part 2, at Berkshire, we keep ourselves in an extraordinarily strong position. We'll always do that. That's 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 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, 50 years or longer into the future.

I would never take real chances of other people's money under any circumstances. And both Charlie and I come from a background where we ran partnerships. I started mine in 1956 for really 7, either actual family members or the equivalent. And Charlie did the same thing 6 years later. And we never -- neither one of us, I think -- I know I didn't, I'm virtually certain the same is true of Charlie. Neither one of us ever had a single institution invest with us. I mean every single -- the money we managed for other people was from individuals, people with faces attached to them or entities or money with faces attached to them. And 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. 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 a slide that's up, I show our -- let's go back one. Yes. I show our cash and Treasury bill position on March 31. 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 $100 billion and -- I don't know, $180 billion or so in equities. And you can say, well, that's a huge position having 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 the $124 billion is not some 40% or so cash position. It's far less than that. And we will always keep plenty of cash on hand. And for any circumstance, if a 9/11 comes along, if the stock market is closed as it was in World War I, it's not going to be an event. 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, well, 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's dependent 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 the day or 2 leading up to March 23, we came very close, but fortunately, we had a Federal Reserve that knew what to do. Investment-grade companies were essentially going to be frozen out of the market.

CFOs all over the country have been taught to sort of maximize returns on equity and capital so they finance 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 then they let the debt creep up quite a bit at many companies. And then, of course, they got the health scare 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 the 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 U.S. Treasury market, the deepest of all markets, got somewhat disorganized. And when that happens, believe me, every bank and CFO in the country knows it. 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, a special pedestal in terms of Federal Reserve Chairman over the years. We've had a lot of very good Fed Chairman. But Paul Volcker, I had him at the top of the list. And I'll recommend another book he -- 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, and he was a big guy, too. He and Jay Powell couldn't see more in temperament or anything. But Jay Powell, in my view, and the Fed Board, put him up there on that pedestal with him because they acted in the middle of March, probably somewhat instructed by what they had 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 March, where the market had essentially frozen a little after mid-month, ended up because the Fed took these actions on March 23. 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 narrowed. And every one of those people that issued bonds in late March and April 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 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 6 or 7 weeks. And like I say, we don't know the consequences of that and nobody knows 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 have been the tendency of the Fed in many years past, not doing nothing, but doing something inadequate. But Mario Draghi brought the whatever it takes to Europe. And the Fed in mid-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 we'll 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 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 -- I mean not in net worth, but in market value at the start of the year or something close to that. We bought $1.7 billion of stock, and our purchases were a couple of billion more than our sales of equities. But as you saw on the previous slide, we had operating earnings of $5 billion -- almost $6 billion. And so we did very little in the first quarter.

And then 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 in stocks more than I usually have, I want you to know what Berkshire is actually doing now. You'll see in the month of April that we net sold $6 billion or so of securities. That isn't because we thought the stock market was going to go down or anything of this order because somebody changes their target price or they changed this year's earnings forecast. I just decided that I'd made a mistake in evaluating. It 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 4 largest airlines. And we probably, it's not 100% of what we did in April, but we probably paid $7 billion or $8 billion, somewhere between $7 billion and $8 billion to own 10% of the 4 large companies in the airline business. And we felt for that, we were getting $1 billion roughly of earnings. Now it wasn'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 when we bought it through the New York Stock Exchange. And we can only effectively buy 10% roughly of the 4. 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 4 excellent CEOs. I mean, believe me, no joy being a CEO of an airline. But the companies we bought were 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 them being in a period like this where essentially nobody -- and people have been told basically not to fly. I've been told not to fly for a while. I'm looking forward to flying, may not fly commercial, but that's another question.

But 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 4 companies are each going to borrow perhaps an average of at least $10 billion or $12 billion each. Well, 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. And I don't know whether 2 or 3 years from now that as many people will fly as many passenger miles as they did last year. They may and they may not. But the future is much less clear to me about how the business will turn out through absolutely no fault of the airlines themselves. It's something that was a low-probability event happened, and it happened to hurt particularly, whether it's the travel business, the hotel business, cruise business, 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. And it didn't look that way when the orders were placed a few months ago and 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 our stock and various other businesses moves around. I mean, if XYZ, which is, say, is one of our holdings, and we own it as a business and we like the business. If the stock goes 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 had actually happened to those airline businesses just as if we'd owned 100% of them. So that explains those sales, which are relatively minor, but I want to make sure that nobody thinks that, 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 an apparently 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 your -- 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 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 a script as you can 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 motion to be voted upon at this meeting. The named proxyholders 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 David Hamburg
Senior VP, CFO & Secretary

Yes, I do. As indicated in the proxy statement that accompanied the notice of this meeting that was sent to all shareholders of record on March 4, 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 1 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 1/10,000 of 1 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 30.

Warren E. Buffett
Chairman, President & CEO

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 Ms. Debbie Bosanek, who will place a motion before the meeting.

Debbie Bosanek;Secretary

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

Warren E. Buffett
Chairman, President & CEO

Do I hear a second?

Unknown Attendee

I second the motion.

Warren E. Buffett
Chairman, President & CEO

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;Secretary

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.

Unknown Attendee

I second the motion.

Warren E. Buffett
Chairman, President & CEO

It has been moved and seconded that 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 be elected as directors.

The nominations are ready to be acted upon. Mr. Jaksich, when you're ready, you may give your report.

Daniel Jerome Jaksich
VP, Controller & Principal Accounting Officer

My report is ready. The ballot of the proxyholders 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 E. Buffett
Chairman, President & CEO

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 Ms. Debbie Bosanek to place a motion before the meeting on this item.

Debbie Bosanek;Secretary

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 S-K, including the compensation discussion and analysis, the accompanying compensation tables and the related narrative discussion in the company's 2020 annual meeting proxy statement.

Unknown Attendee

I second the motion.

Warren E. Buffett
Chairman, President & CEO

It has been moved and seconded that the shareholders of the company approve, on an advisory basis, the compensation paid to the company's named executive officers.

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

Daniel Jerome Jaksich
VP, Controller & Principal Accounting Officer

My report is ready. The ballot of the proxyholders 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 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. 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 E. Buffett
Chairman, President & CEO

Thank you, Mr. Jaksich.

The motion to approve, on an advisory basis, the compensation paid to the company's named executive officers has passed.

The next item on the agenda is an advisory vote on the frequency of a 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;Secretary

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.

Unknown Attendee

I second the motion.

Warren E. Buffett
Chairman, President & CEO

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 1, 2 or 3 years.

Mr. Jaksich, when you're ready, you may give your report.

Daniel Jerome Jaksich
VP, Controller & Principal Accounting Officer

My report is ready. The ballot of the proxyholders in response to proxies that were received through last Thursday evening cast 131,443 votes for a frequency of every year; 2,228 votes for a frequency of every 2 years; and 419,984 votes for a frequency of every 3 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.

Warren E. Buffett
Chairman, President & CEO

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 3 years.

Now we're through with sort of the boilerplate resolutions, and 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 -- 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, 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 for improving Board and top management diversity. The Directors have recommended that the shareholders vote against the proposal.

I'd like to interrupt the script here just a second to point out that when we saw that it would be impossible to have shareholders attend this meeting and traveling to Omaha and gathering in gatherings, which really neither the Governor or the Mayor or the public safety people thought would be advisable, we were hoping to have somebody from the Comptroller'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 serious, important subject. And I can tell you on a personal basis, I think I'm in sync with the Comptroller in terms of how he wants the world to evolve, but I disagree on the specifics of this motion as applied to Board 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 welcome 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 Comptroller's Office. And we said we'd make an exception if anybody from the Comptroller's Office wanted to come out and present the proposition or the proposal and engage in a 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 5 minutes or less. And they wrote back immediately and/or e-mailed back immediately and said that they'd be delighted to do it that way, and they'd even try and keep it down to 3 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 listen to what the supporting statement says and will also read the original argument that they made in the proxy for their proposal. And then we'll read our reasons that suggest voting against because it's an important topic. And I really hope that next year that if somebody from the Comptroller'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 Comptroller of the City of New York in support of the motion.

Marc David Hamburg
Senior VP, CFO & Secretary

Thank you.

Mr. Chairman, members of the Board, fellow shareowners. I'm Marc Hamburg from Berkshire Hathaway, and I'm here to present proposal 4 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 are substantial long-term Berkshire Hathaway shareowners 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 the boardroom remains a work in progress. With our shareowner 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 3 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 has 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 shareowners to support proposal 4. Thank you.

Warren E. Buffett
Chairman, President & CEO

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 Jerome Jaksich
VP, Controller & Principal Accounting Officer

My report is ready. The ballot of the proxyholders in response to 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 E. Buffett
Chairman, President & CEO

Thank you, Mr. Jaksich.

The proposal fails.

Debbie Bosanek;Secretary

I move that this meeting be adjourned.

Unknown Attendee

I second the motion to adjourn.

Warren E. Buffett
Chairman, President & CEO

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

Question and Answer

Becky Quick;CNBC

Yes. Warren, I should tell you that since you put that address up on the screen, I've gotten more than 2,500 e-mails 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 4 different airlines? And if so, can the names of those airlines be identified?

Warren E. Buffett
Chairman, President & CEO

Yes. 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 as they were being run and the management, but we did come to a different opinion on it. And they're the 4 largest U.S. airlines. It's American Airlines and Delta Air Lines and Southwest Airlines and United Continental. And I think collectively, they probably are at least 80% of the revenue passenger miles that is flown in the United States. And they have significant international flying, too, excluding Southwest.

So we like those airlines, but 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 Americans will have now changed their habits or will change their habits because of an extended period if it happens that we're semi-shutdown in the economy. I don't know whether the trends toward what people have been doing by phone. I mean it's been 7 weeks since I've had a haircut. It's been 7 weeks since I -- more than 7 weeks since I put on a tie or anything. It's 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 that the airline industry, among others, that are really hurt by a forced, in fact, shutdown by events that are far beyond our control.

Greg, would you like to add anything to that?

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Really nothing to add, Warren.

Warren E. Buffett
Chairman, President & CEO

Okay. Well, we got another Charlie here.

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

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

Warren E. Buffett
Chairman, President & CEO

We would have bought other airlines, too, incidentally, but those were the 4 big ones. And 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. 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.

Becky Quick;CNBC

But Warren, just to clarify on his question. He asked, did you sell your whole stake in all 4 of those airlines?

Warren E. Buffett
Chairman, President & CEO

The answer is yes. Yes. 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 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. But when we change our mind...

Becky Quick;CNBC

The next question...

Warren E. Buffett
Chairman, President & CEO

Yes, go ahead. I'm sorry.

Becky Quick;CNBC

No, go ahead. When you change your mind?

Warren E. Buffett
Chairman, President & CEO

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

Becky Quick;CNBC

Okay. 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 E. Buffett
Chairman, President & CEO

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 #1 hurricane that it's ever had, but that doesn't preclude the fact we could have the biggest earthquake a month later. We don't prepare ourselves for a single problem. We prepare ourselves for problems that sometimes create their own momentum. I mean 2008 and '09, you didn't see all the problems the first day when really 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 that trip other things, and we take a worst-case scenario into mind that probably is a considerably worst case than most people do. So I don't look at it 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 it -- you don't need to pay attention to them. And you're not going to pick the bottom and 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 be 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 2 years ago in the annual report, just the one before this most recent one, I pointed out that there have been 3x in Berkshire's history when the price of Berkshire stock went down 50%, 3 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 3 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, I mean, 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 much greater ferocity than others. And fear is something I really never felt financially, and I don't think Charlie's felt it either. Some people can handle it psychologically. If you can't handle it psychologically, then you really shouldn't own stocks because you're going to buy and sell at the wrong time. And you should not count on somebody else telling you. 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 will work out over 2 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.

Becky Quick;CNBC

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 E. Buffett
Chairman, President & CEO

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 manage significant sums of money. So it could well be something they bought. It could have been 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 involve $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 1 day or 1 week or 1 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 million is essentially meaningless and it may not have even and probably was not mine.

Becky Quick;CNBC

All right. This next question comes from Lee Yann Dar. And his question is, in the last financial crisis, Berkshire acted as a lender of support for 8 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?

Warren E. Buffett
Chairman, President & CEO

Well, we haven't seen anything attractive. And frankly, it 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 5 weeks or thereabouts. I mean it's set records. Some companies have come back twice. A number of very big companies that didn't bother to extend out their borrowings came a couple of 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 '09, 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 4 or 5 months to do similar things. So my timing was actually terrible in 2008 or '09, but what was available was so attractive that even though my timing was terrible, we still came out okay or a little bit better than okay. But it was not designed -- 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 at or spread to 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. In other scenarios, we won't.

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

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Yes. Yes. Well, I think your comment on the Fed, Warren, because 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 that general interest out there as people were in a difficult point in time, i.e., 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 prefunded one of our capital programs at PacifiCorp 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 PacifiCorp, our customers and ultimately for the Berkshire shareholders. So we've taken action within Berkshire, as Warren noted.

Warren E. Buffett
Chairman, President & CEO

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. So we put our money where our mouth is.

Becky Quick;CNBC

That gets kind of to another question that came in from Mark McNicholas in Chicago, Illinois. He says, Berkshire itself has 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 E. Buffett
Chairman, President & CEO

Well, we've sent money to a few, and we're in a position to do that. We're not going to send money indefinitely to anything where it looks like their future has just changed dramatically from what it was a year or so ago or just even 6 months ago. 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 the company 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're 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 #1 problem, I'll put it that way.

Greg, would you?

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Yes. Well, yes. It's interesting when we look at our different companies, as we went into the pandemic, 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 customers. 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 E. Buffett
Chairman, President & CEO

Berkshire is almost certain to generate cash. I mean nothing is 100% certain, but as Greg mentioned, at Berkshire Hathaway Energy, we had some short-term financing. We don't have short-term financing at 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 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 to some extent when you start spelling out scenarios, you may increase the chance of them happening. So that's not something that we really want to talk about a lot. But our position will be to stay a Fort Knox, but we don't need a -- 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 never buy commercial paper. We don't count on bank lines. One or 2 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 any more 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, at terms that we wouldn't have given it to them.

Becky Quick;CNBC

All right. This next question is one that, Greg, you actually touched on the answer to this to some extent, but maybe the 2 of you could expand on it. It comes from Richard Sercer 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?

Warren E. Buffett
Chairman, President & CEO

Those people are employed in dozens and dozens of different industries. And there are a few industries that there's a fair likelihood that our employment could be reduced, but they're not large. I'm just thinking as I'm talking. I mean, it's not like we're in some of the businesses that -- we're not in the hotel business or various aspects of travel and entertainment and all of that, 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
Vice Chairman of Non Insurance Business Operations & Director

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 U.S. electricity consumption is down 4%. That realistically doesn't impact that business in a significant way. And 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, i.e., 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 re-employ the folks. And overall, for Berkshire as a whole, as Warren said, 5 years from now, we see our employment numbers being far greater than we are today and that we see great prospects within the operating businesses as a whole.

Warren E. Buffett
Chairman, President & CEO

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. 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 that's going to be delivered because it closed toward the end. And essentially, we were shut down and we remain shut down. We've got 220 or so retail stores. And Furniture Mart sells our candy, but the Furniture Mart is 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 of 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. Some of that's going on. And then of course, Greg does all the work on those sort of situations. And our managers are terrific, of course, 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 2,000 in the textile business and we still got the same playbook.

Becky Quick;CNBC

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 17, 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 E. Buffett
Chairman, President & CEO

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

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Exactly. Yes.

Warren E. Buffett
Chairman, President & CEO

Yes. And there are some that weren't doing that well before. I'm not talking about Marmon specifically, 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 of those businesses or their customers are developing different habits. I mean, 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 we're 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 and the auto dealers don't advertise, it's made certain businesses that were tough before even tougher now. And the management of at least one of those subsidiaries has suggested to us. But 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 who don't want to pay you right now. We don't. And the supply and demand for retail space may change fairly significantly. The supply and demand for office space may change significantly. A lot of people learned that they can work at home or that there's other methods of conducting their business than they might have thought that -- from what they were doing a couple of years ago. And when change happens in the world, you adjust to it.

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Yes. I think the... go ahead.

Becky Quick;CNBC

This next question is a follow-up on that.

Warren E. Buffett

Chairman, President & CEO

Becky, I think that Greg wanted to add.

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

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.

Becky Quick;CNBC

This next question is a follow-up on that. It comes from Chris Fried of Philadelphia. And he says, it's been a long-term policy at 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 long-term policy in regards to keeping underperforming subsidiaries?

Warren E. Buffett
Chairman, President & CEO

No. I think that policy was spelled out for maybe 30 years or so in an addendum to 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. That is not a new policy and has 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 know, A, you don't know how long it's going to happen or to 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, has, well, they led the first wave of financing for the airlines. But to the airlines' credit, they have very aggressively raised money. I mean, it's amazing to me what a good job they've done with that. And in the case of, I think in the case of 3 of them -- no, 2 of them, but there may be more coming, they've raised equity money, too. I mean, 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. It's exactly the right thing for the managements to be doing, but whether it makes sense, we'll find out for the investors.

Becky Quick;CNBC

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
Vice Chairman of Non Insurance Business Operations & Director

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 3 areas as we do in our Q, but 2 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 the production orders there and adjusting the business accordingly.

Warren E. Buffett
Chairman, President & CEO

Boeing raised $25 billion just a day or 2 ago. And they raised $14 billion before that. And a year ago, they felt they were in a fine cash position. And I understand how all that happened. Airbus has had the same situation. They made some comments recently 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 whole 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 in the chain. And the aircraft manufacturers, they didn't bring it on themselves. The airlines didn't bring it on themselves. 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 it will have an effect on Precision Castparts. And how severe it will be, it depends on the same sort of variables that are hitting Boeing. You name the company in aircraft, 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. And 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.

Becky Quick;CNBC

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?

Warren E. Buffett
Chairman, President & CEO

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 policyholders in different ways. Our plan will deliver back $2.5 billion roughly or so and 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, but conditions have reduced that driving dramatically, obviously.

Now we have instituted a program that runs saving people money for 6 months. And so far, other people have largely been 2 months, but some of them they've given a little more for those 2 months than we give 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, and insurance commissioners, in many cases, I believe have required it, but we give people more time to pay if they aren't paying. And if they cancel their policy or if they don't end up paying us, we're, in effect, giving them free insurance during that period. And the delay in payments has obviously increased delay of payments on -- if you've got a shopping center and getting rent, 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 motorists driving and they cause a disproportionate amount of accidents in 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 and applies for a 6-month on renewals, but then we'll be renewing policies in October that will extend into next April. And so we've made a guess on it and we'll see how it works out.

Becky Quick;CNBC

This next question comes from Steven Stoller. He's a shareholder in Atlanta, Georgia. And he says, would you please help us understand the effects of COVID-19 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 10-Q 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 E. Buffett

Chairman, President & CEO

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 a huge and enormous expense just depending on how much there is.

Now in the auto insurance field, which is our #1 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 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 think I know of one company, I don't know the details, that's written a fair amount or they cover. Certainly, there's a good argument perhaps that they cover a 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 there's -- 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 the sort. But we will have claims. We'll have litigation costs. But proportionately, it's not the same with us as 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 the 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 property that's 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 it's not covered by that. I mean, 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 related to this, the present situation. There'll be an awful lot. There'll be litigation on that won't be valid. And there's no question that some insurance companies, I know one in 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.

Becky Quick;CNBC

Steven Tedder from Atlanta who says he's a 10-year Berkshire shareholder writes in. And he says, do you see Berkshire offering pandemic coverage in future insurance policies?

Warren E. Buffett
Chairman, President & CEO

Well, the answer is we insure 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 would 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 if 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. And there were really only a couple of 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.

Becky Quick;CNBC

This next question is for Greg, and it comes from a shareholder named Todd Flaska. 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 downtimes. 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
Vice Chairman of Non Insurance Business Operations & Director

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've all listened, 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 E. Buffett
Chairman, President & CEO

Yes. 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 3 extraordinarily good minds in terms of allocating capital. And I and Charlie, 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 3 of them are thinking about capital allocation than when Charlie and I are now, particularly now that he's found Zoom.

Becky Quick;CNBC

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 E. Buffett
Chairman, President & CEO

I certainly don't know of any. I guess you could say while we owned 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
Vice Chairman of Non Insurance Business Operations & Director

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 "bailouts".

Becky Quick;CNBC

This is a similarly related question. It comes from [Seth Frieden] 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 E. Buffett

Chairman, President & CEO

Well, to my knowledge, none of them have gone in for government money. And the 2 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 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 6 months because we took over a loan that would have been a problem in the year, whatever it might have been, maybe 1.5 years. And we enabled them to just deal with one lender rather than a group. And they are doing a better job with the newspapers than 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 running it than we can. Some businesses just are superior.

We started with the textile business. We started a company called Diversified Retailing, which we've merged into Berkshire, became part of Berkshire. And it 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 then 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, in the next 50 years. We think we'll find more of them that will grow and that Berkshire will grow, but we do not think if you own a great many businesses that everyone is destined for success. That's why I suggest to people they buy an index fund. 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. 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
Vice Chairman of Non Insurance Business Operations & Director

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 on them. And as I said, we encourage them if they were ever thinking that there was going to be a dialogue, 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 midsized 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 re-emerge now. And I would say our businesses are in extremely sound place.

Warren E. Buffett
Chairman, President & CEO

We don't know when the...

Becky Quick;CNBC

This next question...

Warren E. Buffett
Chairman, President & CEO

Well, I'll just add. 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, but 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, through some summer diminution, and how they would react to a second attack in effect by the virus. It's like Dr. Fauci said, 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. But I hope, like crazy obviously, that once suppressed that 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. 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 you better be not be too sure of yourself about what it will do in the next 6 months or year or whatever.

Becky Quick;CNBC

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 E. Buffett
Chairman, President & CEO

Well, I can tell you, I haven't changed my will. It directs that my widow would have 90% of the funds in index funds. 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, I mean.

And how you can say that the 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 something special about index funds being a terrible way to invest? I just don't think -- really it's very hard to have evidence of that. I mean, 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.

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 Jim Simons or somebody that's going to produce extraordinary return. And Jim and his group have done it by brain power, but it'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 the record that's been established in the past.

You 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.

Becky Quick;CNBC

I got a number of variations on this next question, some more polite than others. This one is right about down the middle. But this is from Mark Blakley, 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 underperformance. Even year-to-date, Berkshire is trailing the S&P 500 by 8%. To what would you attribute Berkshire's underperformance? While I can't imagine ever selling my Berkshire stock, at some point, money is money.

Warren E. Buffett
Chairman, President & CEO

Well, I agree with everything that, forgot his name, what he 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 sound 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, but 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, 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 are -- 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. But Greg?

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

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.e., 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 -- we're giving a good effort to outperform it.

Warren E. Buffett
Chairman, President & CEO

It's hard to imagine getting a terrible result with Berkshire, but anything can happen. And what I do know is it would be easier to be running $5 million. Our book net worth at Berkshire at the quarter end, I think, was $370-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. And it may be the greatest in the world, I'm not sure. That makes life difficult in some ways, too.

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

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 $100 billion 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, substantial investments there. That just tells 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, as you touched on in Burlington, the insurance and energy, our downside is very nicely protected. We have 3 really core great businesses.

Warren E. Buffett
Chairman, President & CEO

Yes. And we're better positioned than anybody in the energy business just because we don't have dividend requirements. We've 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 country needs it. The world needs it. And we are a very, very logical, well-structured, well-managed, I would say, doesn't involve me, company to participate in just huge requirements around the world. Now they're slow and they involve governments, and I mean the state governments. It's not anything that happens dramatically. It will happen 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 that were $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, it doesn't amount to much, unfortunately. We'll still try and do it if we can.

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Yes.

Becky Quick;CNBC

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 railed off your list of future management. Is he out of the picture?

Warren E. Buffett
Chairman, President & CEO

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 we'll own the world.

Now Ajit is one of a kind. Anybody will tell you that's had 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 risk. He possesses a rare talent and he has a huge capital backing to do it. 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 3.

And incidentally, while Charlie and I, we kind of like capital allocation ourselves. We're not going any place voluntarily, but we probably will go some place involuntarily before that long. Charlie is in good health incidentally. I'm in good health.

Becky Quick;CNBC

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 GAAP depreciation and help explain the time frame over which we should recognize the contracted return on equity from these large investments as we as shareholders are making in Berkshire Hathaway Energy?

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Right. 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 and 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 in to 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 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 2 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 "incremental or growth CapEx".

Warren E. Buffett
Chairman, President & CEO

Yes. We have what, $40 billion or something? What do we have in sort of kind of in the works?

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Oh, yes. So we have basically, as Warren's highlighting, $40 billion in the works of capital. That's over the next, effectively, 9 years, 10-year period. Approximately half of that we would view as maintaining our assets. A little more than half of it is truly incremental. 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.

So as Warren said, that 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 PacifiCorp. I remember working on that transmission plant, putting it together, thinking 6 to 8 years from now we'll have them in operation 12 years later. And over that period of time, we earn 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 E. Buffett
Chairman, President & CEO

Yes. It's not like they're super high return thing, but they're decent returns over time. And we're almost uniquely situated to deploy the capital as opposed -- I mean you could have government entities do it, too, 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 they should protect consumers, but they also should protect the people that put up the capital. And it's worked now for 20 years and it's got a long runway ahead.

Becky Quick;CNBC

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 E. Buffett
Chairman, President & CEO

Well, we said right from the beginning, although we didn't certainly expect they'd agree to it, that's what 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 going to be your geological home runs or super mistakes or anything like that. It is an investment that depends on the price of oil. And when oil goes to minus $37 that's 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 $1 billion. And Occidental 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. It doesn't work at $20 a barrel. It certainly doesn't work at 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 its 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 in 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 2 ago. And to that extent, if you're an Oxy shareholder or any shareholder in any oil-producing company, you'll 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.

Becky Quick;CNBC

Let me follow-up with this one, and this one comes in from [Monish Bahl], who says, is there a risk of permanent loss of capital in the oil equity investment?

Warren E. Buffett
Chairman, President & CEO

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 it will extend to bank loans and it will 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. I mean, but with commodities, it's particularly dramatic. And farmers have been getting lousy prices, but to some extent the government subsidize 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. Oxy actually did sell 300,000 barrels a day of puts in effect that or they bought puts and sold calls in effect to match it. And they were protected for a layer of $10 a barrel on 300,000 barrels a day.

But you're really buying -- 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 in energy loans and bad debts in energy loans. And if there are bad debts in energy loans, you can imagine what happens to the equity holders. So yes, there's a risk.

Becky Quick;CNBC

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-end, the fair value liability was just under $1 billion. And if the indexes declined 30%, the liability obligations ballooned to $2.7 billion. So if the indexes are down 60%, would Berkshire's obligation be close to $5.5 billion? Does that math seem reasonable? And are there any loose ends or open exposures associated with it?

Warren E. Buffett
Chairman, President & CEO

No. Between 2004, I think, and 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 to pay based on where 1 or more of 4 indices were 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 0. I mean if Dow Jones went to 0, the FTSE went to 0 and the Nikkei and so on.

A number of those have 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 0, 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 $2-and-a-fraction billion. So far, so good, I mean, we've had the use of a lot of money. And the outstanding potential of them is, if 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. So the questioner doesn't really understand about them, 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...

Becky Quick;CNBC

Warren, you mentioned a few minutes ago that you... oh, go ahead...

Warren E. Buffett
Chairman, President & CEO

Well, I'm 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 due that we wouldn't count on having come due. I'm done then, Becky, yes.

Becky Quick;CNBC

Okay. So you mentioned a few minutes ago that you're very concerned about Berkshire's long-term health, too. This question came in from Drew Estes in Atlanta, Georgia, who says, there's already speculation of a post-Buffett breakup of Berkshire. And given the sway carried by modern activists, the speculation should be taken seriously. Many long-term owners see the folly in this view. A $25 billion ancillary earnings 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 E. Buffett
Chairman, President & CEO

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 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 they were the backup earnings and capital employed in the other entities, there's enormous advantages in capital deployment within the place. There is not a big discount to breakup value embodied in Berkshire's price. And the situation actually is that although all my Berkshire shares, every share will be given to charity 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 Buffett 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. I mean you do not get impartial advice from Wall Street when there's enormous amount of fees possible from one action and no fees are applicable from another action. But you can be sure I 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 100 years from now. And I can't tell you exactly what would happen, for example, if certain ideas in terms of wealth tax is 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 off Berkshire, all of it ends up going to various philanthropies staggered over time, but it will keep the wolves away. Greg, do you have any thoughts on that?

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

I think the comment on the capital allocation is critical that we have the ability to move the capital amongst the -- be it the operating businesses or up to the insurance or 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.

Becky Quick;CNBC

All right. This question comes from Rob Grandish in Washington, D.C. 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 policyholders pay upfront, creating insurance float on which Berkshire gets to earn interest. If interest rates are negative, then collecting money upfront 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 E. Buffett
Chairman, President & CEO

Well, if we're going to be negative for a long time, you better own equities or you better own something other than debt. I mean 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 had without inflation taking hold, but we have $120-odd billion, well, we have almost very high percentage in Treasury bills, some in other and 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 the time and may be the only thing you can look to, to pay for those opportunities is the Treasury bills you have, and the rest of the world may have stopped. And we also need them to be sure that we can pay the liabilities we have in terms of policyholders 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 do not think that -- I don't see how you can create -- I would say this, if you can have negative interest rates and pour out money and incur more and more debt relative to productive capacity, you think the world would have discovered it in the first couple of 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 economics is, can you keep doing what we're doing now? And we've been able to do it. The world has 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 it before. Greg, do you have any thoughts on that? I wish I knew the answer, maybe you do.

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

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 no, I hate to say it, but I don't have anything to add.

Warren E. Buffett
Chairman, President & CEO

I'd love to be Secretary of the Treasury if I knew I can 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, they're the right things, but I don't think they're without consequences. And I think there could be kind of extreme consequences if pushed far enough, but there would be kind of extreme consequences if we didn't do it as well. So somebody has to balance those questions.

Becky Quick;CNBC

All right. This question comes from Adam Schwartz in Miami, Florida. 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 prove 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 E. Buffett
Chairman, President & CEO

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, I mean, in terms of operations that doesn't require capital. I mean See's never required capital. It didn't grow, but it didn't take money to expand it. And it 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 and doesn't take more capital as it grows. Now our utility business, 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 advance and you don't need the capital. I mean if you look at where the top market value is in a $30 trillion market, if you take the top 4 or 5 companies that account for maybe $3 trillion, $4 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. They're 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
Vice Chairman of Non Insurance Business Operations & Director

Well, I think there's no question, obviously, we prefer to be in a less capital-intensive business. But there are unique opportunities there. And 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, 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 cost even in an inflationary environment, still earn 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 and some things like that, but they're still going to be very sound investments.

Warren E. Buffett
Chairman, President & CEO

Yes, if there was 10 for 1 inflation, make it extreme, we'd be happy we own the railroad, very happy. Look, we've been investing a lot of capital in it, but that business is, in my view, is a very, very solid business for many, many, many, decades to come. I said originally we bought it with 100-year time horizon, and I've extended that. So it will earn more dollars if there's 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, 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-intensive.

We've got capital. I mean 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.

Becky Quick;CNBC

All right. This question comes from Charlie Wang. He's 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 U.S. government defaulting on its bonds?

Warren E. Buffett
Chairman, President & CEO

No. If you print bonds in your own currency, what happens to the currency can be a question but you don't default. And the United States has been smart enough and people have trusted us enough to issue its debt 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 countries will have that problem in the future. It's very painful to owe money in somebody else's currency.

Listen, if I could issue a currency, Buffett bucks, and I had a printing press, I could borrow money in that, I would never default. So what you end up getting in terms of purchasing power can be in doubt. But in terms of the U.S. government, when Standard & Poor's downgraded the United States government, I think it was Standard & Poor's some years back, that, to me, did not make sense. I mean in the end, how you can 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.

This should be said. To have these limits on the debt and all of that sort of thing and then stop 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 that there's been brief periods and I think in the late '90s or thereabouts when the debt has come down a little bit. The country is going to print more. The country is going to grow in terms of its debt paying capacity, but the trick is to keep borrowing in your own currency.

Becky Quick;CNBC

Emphasis on the trick. This question comes from David Kass. He is a Clinical Professor of Finance at the University of Maryland. And he says, Berkshire has invested in many companies with stock buyback programs. Recently, there's been a backlash against buybacks. What are your views on this subject?

Warren E. Buffett
Chairman, President & CEO

Well, it's very politically correct to be against buybacks now. And they're going to incorporate it in the loan program. There's a lot of crazy things said on buybacks. Buybacks 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 3 of us decided to buy an auto dealership or a McDonald's franchise or something and we each put $1 million 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 2 want to leave the money in the business to grow. Now if the 3 of us did that and we're 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 2 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. So you're taking money out of the business in either case. And one you call dividends and you send it to everybody whether they want it or not. And with buybacks, you 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 people, 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's 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 reinvested in the business. And people that don't want to can sell 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. 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 business decisions, but I think that should be the guiding principle. And to my knowledge, JPMorgan, Jamie Dimon said it once and we've said it 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 buyback programs 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 need-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 any more than there is to dividends. And people have now sort of taken up the cries about how terrible it was that the company bought back stock. Well, you can say it was terrible for them to pay dividends, too, then they'd have more money now. But they were doing what was intelligent at the time, and I hope they continue to do what's intelligent as they go forth. Greg?

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

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 buybacks, but there are companies that used, probably their financial engineering was just a little 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. 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 E. Buffett
Chairman, President & CEO

Yes. 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. And incidentally, I've been witness to some programs where it really is stupid. But I don't think it's immoral. I think it's stupid, basically. And on the other hand, we favor companies that take care of all their 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 stock selling below what 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 going 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 shareholders. And we like investing in companies that think that way, too. Not all companies obviously do.

Becky Quick;CNBC

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 draw down some money on my portfolio in retirement, I'm facing a large tax hit. 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 1, I can sell 2 $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 of at the time.

Warren E. Buffett
Chairman, President & CEO

Well, you can convert A to B shares, which is exactly what takes place when I give away the money in July to the 5 foundations. I actually convert it immediately before the gift. And 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. And we split the B shares, as I remember, from 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've passed some resolution some time ago, I think, but 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 1 or 2 shares of A, and plenty of people I know have done this and just cash in and turn it into B and give yourself whatever amount of cash you want to get.

Becky Quick;CNBC

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 asset 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, 10-Qs 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 E. Buffett

Chairman, President & CEO

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 with somebody else or put added strains on the system or anything. The banks were very involved with a problem. In 2008 and '09, they had done some things they shouldn't have done in some of them. And they were certainly in far different financial condition now. So that the banking system is not the problem in this particular -- so I mean, the government, we decided as a people to shut down part of the economy in a big way. And it was not the fault of anyone that it happened. Things do happen in this word. 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, and 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 $100 billion 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, and 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 will you spot the people that are doing the dumb things? It's not easy because, well, 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 Dimon referred to this a little bit in the JPMorgan 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 Fed. I think overall the banking system is not going to be the problem. But I wouldn't say that with 100% certainty because there are certain possibilities that exist in this world where banks can have problems. They're going to have problems with energy loans. They're going to have problems. They're going to have extra problems with consumer credit they're in, but they know it, and they're well reserved. Well, they're well capitalized for it. They were reserve 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
Vice Chairman of Non Insurance Business Operations & Director

No. I really -- 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 through that as businesses do, but you've already highlighted that, obviously.

Warren E. Buffett
Chairman, President & CEO

Becky?

Becky Quick;CNBC

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 is from [Andrew Wenke]. 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 E. Buffett
Chairman, President & CEO

Yes. It was very, very, very short period where they were 30% less. 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 Keynes said or whoever it was, I don't know. When 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 have felt 3 months or 6 months or 9 months ago. It's always a possibility, and we'll see what happens. Greg, you think about repurchasing shares, I mean, generally?

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

No, I think your approach, Warren, is the right approach. I mean you're always -- 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 the time or the view doesn't change.

Warren E. Buffett
Chairman, President & CEO

There could be a price relative to value at the time, not relative to 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 are other decisions like that. 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. 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 step up in a big way.

Becky Quick;CNBC

This question comes from 3 investors in Israel, [Lior Lev, Yossi Lev and Dan Gorfung.] They want to know about the credit card industry and says, how do you explain the rise in the average credit card interest rate in recent years compared to the Federal funds 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 E. Buffett
Chairman, President & CEO

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. We are not in the -- 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 people, I think people should avoid using credit cards as a piggy bank to be raided. I had a woman come to see me here not long ago, and she'd come on some money, and not very much but it was a lot to her. And she's a friend of mine. And she said, what should I do with it? And I said, well, what do you owe on your credit card? And here's what I owe, X. And 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 and she said 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'd 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.

And that wasn't what she wanted to hear. And then later on in the conversation she talked about her daughter. And her daughter had $1,000 or $2,000 or something. And she said, well, what should I do with, indicating the girl's money? And 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 doesn't make sense. You can't go through life borrowing money at those rates and be better off, I figured.

So I encourage everybody. It's contrary to my own or Berkshire's interest 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 not own -- they can get to something else later on, but don't be paying even 12% to anybody. I mean 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
Vice Chairman of Non Insurance Business Operations & Director

Same advice, excellent advice. No, I have 3 that carefully use their credit card more, I would say, for not the -- obviously, people use it a lot more as they go into the digital world 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 type of transactions, you run up the balance. But there's an incremental risk there now.

Warren E. Buffett
Chairman, President & CEO

It's a matter of convenience for some people.

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Yes. Yes.

Warren E. Buffett
Chairman, President & CEO

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. Becky?

Becky Quick;CNBC

Warren, this question is from Lindsay Schumacher. Do you have something you were saying?

Warren E. Buffett
Chairman, President & CEO

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

Becky Quick;CNBC

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

Warren E. Buffett
Chairman, President & CEO

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 trouble 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, then 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 program. There's going to be a certain amount of fraud. Everything doesn't go perfectly, but I am 100% for taking care of the people that really get hurt by something that they've got nothing to do with. And 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 and whatever it may have been. And 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. Well, you can't carry it out perfectly. You do your best and you do it promptly. And I give real credit to both Congress for acting promptly on what the problem is. They 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, and I don't sit around and think about how I could do it better. Greg?

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

I agree with the comments.

Becky Quick;CNBC

Warren, this question comes from Bill Murray, the actor, who is also a shareholder in Berkshire. He says this pandemic will graduate a new class of war veterans, health care, 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 E. Buffett
Chairman, President & CEO

Well, we won't be able to pay actually. It's like people that landed at Normandy or something. I mean for the disadvantaged, there's an unimaginable suffering. And at the same time, they're doing all these things that, they're working 24-hour days and we don't even know their names. So we ought to do, if we go overboard on something, we ought to do things that can help those people. And this country, I've 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 on things or know how to arbitrage bonds or whatever it may be. And 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 works 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 that nobody should be left behind. It's like a rich family. You find rich families and that they have 5 heirs or 6 heirs. They try and pick maybe the most able one to run the business, but they don't forget about the kid that actually may be a better citizen in some ways even than the one that does the best at business, but he just doesn't happen to have that 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 of the sort. So 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 that you can see various statistic on that, but I'd rather be in the bottom 20% now than be in the bottom 20% 100 years ago or 50 years ago. But what's really improved is at the top 1%. And I hope we as a country move in a direction where people Bill's talking about get treated better. And 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 100 years ago. But you would think with our prosperity, we would hold ourselves to even higher standards of taking care of our fellowman, 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
Vice Chairman of Non Insurance Business Operations & Director

Yes, yes, the only other group that I would highlight, I think it will be very interesting how it plays out is, with the number of homeschooling and the children that are home, I think we've always had so much respect for teachers, but we all talk about how we don't take care of them. And it is remarkable to hear how many people comment that, clearly, we don't recognize or -- I have a little 8-year old back 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. And 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 healthy and safety, and 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 owe them a great thanks. And Warren, you touched on it, we can, in 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 E. Buffett
Chairman, President & CEO

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

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Yes.

Becky Quick;CNBC

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 E. Buffett
Chairman, President & CEO

Well, the market system works wonders, and it's also brutal if left entirely to itself. And we wouldn't be the country we are if the market system hadn't been allowed to function. And to some extent, you can say that other countries around the world 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. And 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 happen if we all drew straws again for particular market-based skills. Somewhere way back, somebody invented television. I don't know who it was. And then they invented cable, then they invented pay systems and all of that. And so a fellow that could bat .406 in 1941 was worth $20,000 a year. And now a marginal big leaguer will make vastly greater sums because, in effect, the stadium size was increased from 30,000 or 40,000 or 50,000 people to the country, and the market system capitalism took over.

And it's very uneven. And then similarly, I think that Ted Williams was worth a whole 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. But that alone doesn't do it, there's a lot of randomness in the capital system, including inherited wealth. And I think we can keep the best parts of a 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
Vice Chairman of Non Insurance Business Operations & Director

Yes. I think it's always keeping the best parts of it. And 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 is functioning again, but that's the obvious. And then there's this, 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 E. Buffett
Chairman, President & CEO

And Becky at the end, I would just say that, oh, sure, go ahead.

Becky Quick;CNBC

Can I just slip in one more quick question? I forgot this one. Someone sent it in earlier. Anderson Haxton wrote in. He said, Warren mentioned that Ben Graham is one of the 3 smartest people he's ever met. I'd like to ask him the names of the other 2.

Warren E. Buffett
Chairman, President & CEO

Well, I may not be one of the smartest, but I'm smart enough not to name the other 2. I made 2 people happy. Ben Graham is one of the pretty smartest people, and I know some really smart people. Smartness does not necessarily equate to wisdom either. And 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. And he said he was pretty good at the latter. But he was pretty good, he was amazing actually at the creative. But it's interesting that IQ does not always translate into rationality and behavioral success or wisdom. And so I know some people that are extraordinarily wise that would not be in the top 3 on an IQ test. But if I wanted their judgment on some matter, even if I want to put them in a position of responsibility some place, I might prefer them to, I will say, 1 of the 3. That will leave the other 2 feeling fine of the 3. Greg, do you have any thoughts on that?

Gregory Edward Abel
Vice Chairman of Non Insurance Business Operations & Director

Nope. I agree with the person you named.

Warren E. Buffett
Chairman, President & CEO

And Becky, I would just say again that we may have -- I hope we don't, but we may get some unpleasant surprises. And we are dealing with a virus that spreads its wings in a certain way, in very unpredictable ways and how Americans react to it, there's all kinds of possibilities, but I definitely come to the conclusion after weighing all that sort of, never bet against America. So thanks.

Becky Quick;CNBC

Yes. Thank you. I appreciate your time tonight.

Warren E. Buffett
Chairman, President & CEO

Okay. And we'll see you next year, and we'll fill this place. Okay.

Becky Quick;CNBC

Okay. Good night, everybody.

Warren E. Buffett
Chairman, President & CEO
Good night.