S&P Global
Market Intelligence

Berkshire Hathaway Inc. NYSE:BRK.A

Shareholder/Analyst Call

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Call Participants

EXECUTIVES

Ajit Jain
Vice Chairman of Insurance Operations & Director

Becki Amick

Charles Thomas Munger
Executive Vice Chairman

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

Marc David Hamburg
Senior VP, CFO & Secretary

Rebecca K. Amick
Director of Internal Auditing

Ronald L. Olson
Director

Susan L. Decker
Independent Director

Unknown Executive

Warren E. Buffett
Chairman, CEO & President

SHAREHOLDERS

Unknown Shareholder

ATTENDEES

Becky Quick

Jaylen Spann;Whistle Stop Capital;Research and Development Associate

Peter Flaherty;National Legal and Policy Center;Chairman and Chief Executive Officer

Timothy Youmans;Federated Hermes;Lead-North America, EOS

Unknown Attendee

Presentation

Warren E. Buffett
Chairman, CEO & President

Thank you. I don't hear anything from the index funds. Where are they? It's really be -- it really feels good to get back and be doing this in person. It's been 3 years. And it's a lot better seeing actual shareholders, owners, partners. And Charlie and I are now combined [indiscernible] for fractions. The 2 of us are 190 years old. And I really think you're entitled if you're the owner of a company. And we've got 2 guys, 98 and 91, running the company. You're tied to look, actually see him in person.

Maybe it shouldn't be too much to ask, but, I mean, for example, we had a manager, somebody that was 98. I might want to send somebody buy a case going to see whether it was cutting paper dolls or something. So we probably do things that are a lot more foolish than cutting out paper dolls. But we're having a lot of fun doing it, and we really have a lot of fun.

When you come visit us -- actually, we had -- go back a few years, we've had a couple of managers that suffered from dementia, probably many more. But I mean I'm just a couple of knowing ones, actually. And it was one fellow, Charlie and I really loved. And he ran a business for us. Charlie was out in California. Charlie would see him occasionally, and I didn't see him. But everything seemed fine. And then we found out that he really been suffering from dementia for quite a while. And he really was a wonderful friend of ours.

But the business has done fine. So that's become our test, really, is from new businesses, we try to find something that kind of Alzheimer's can run actually in. And you don't have as much competition for businesses like that, sitting there, cutting out paper dolls and that's our man.

I'd like to introduce 2 fellows who really work at Berkshire. Charlie's left, Greg Abel, who runs all the operations all the time. And next to him is -- I ran the insurance business for about 15 years unsuccessfully. And then fortunately, the fellow on the far left came in one day and have written a butter, but he came in on this Saturday. And I was opening the mail, and he said that he'd be happy to run our insurance business.

I said will he be able to run an insurance business. And he said, no. And as I mentioned I never want one, either, so I'm not doing so hard. So give it a try. And he transformed Berkshire out the way. And Ajit Jain is here with us.

What we'll do today, and I have to remind myself from time to time that the people are here, of course, saw that movie and everything, but we're webcasting it. So I'll probably make some references to the movie or something that will puzzle. The people are out there, but you'll get it. We're going to talk for a little while about what's happened in the last quarter and bring up a few other things that you might be interested in. And we will then whenever that's finished. We'll go on to questions, and we will take the questions until noon, break for an hour. That's Midwest time for those of you who are watching in other time zones.

We'll go until noon, and we'll break for an hour. And then Charlie and I will come back, and we'll take more questions until 3:30, and then we'll convene the shareholders meeting. At 3:45, we'll take a break for 15 minutes, and then we'll do the shareholders' meeting. And when that's done, we'll all go our various ways.

I do want to report incidentally that you've been doing your part in terms of the room we have adjacent to this location, where we've been yesterday for 5 hours, from noon to 5. We had 12,000 shareholders come and just spend money on everything we could think of to solve them.

We brought in 11 tons of See's Candy. And if we don't sell a lot of, Charlie and I get the rest. But you did your part. So he sold more, he's had a record yesterday for the Friday afternoon meeting, and it's pretty hard thing.

Incidentally, I've got a box of See's Candy here, and it's very -- it's sort of interesting. On this cover, which I hope you can see, there's a picture of a woman, who was born in 1854. And today, she probably gets her picture seen more often. It's just about any, I think, woman in America in terms of a commercial product or something of that sort.

So we've got our picture up in over 200 stores. And on every box of candy, that's Mary See, born in 1854. A lot of people think this is me and drag, but that is not true. There is a certain resemblance, but it's just not. These rumors are started by our competitors. Don't pay any attention.

So we will -- that's our schedule for the day. And what we will do, we like to give all -- we like to give shareholders, owners, partners, we like to give everybody the same information at the same time and preferably do it when stock markets aren't open. But it seems to us that that's everybody ought to be on the same playing field. That's very interesting.

We don't know how many shareholders we've got. They've changed the rules over time as to registered holders and getting stock certificates and all that sort of thing. So we can't keep track of it like 50 years, 75 years ago, where we had an actual shareholders list.

But we're told by the people who mail out our information, it's a firm. And I think New Jersey, let's see, Broadridge, and they pretty well do this for very significant percentage of American corporation. So they actually mail things out for us, and they bill us for 3.5 million accounts.

And I don't take their word for it. I mean the more accounts that go look for, we pay it by the account. So some days, I feel like, I would like to count. But that is a lot of a lot of people that trust us and they've rightly in my view, overwhelmingly, deal with our partners. And some of them will like reading financial information they've given us that we give you.

But most -- a great, many of them, just say, we've saved this money, and I trust you and Charlie, and that's a great motivator, is trust. And we take care of it. And I'm not going to learn accounting and try to read all those statements or anything of sort. But we do believe that for those, who do use the information we released, they should all get it at the same time.

And we have a few institutions that even though in the third paragraph of my letter every year, I refer to the fact that we want to have everybody gets the same information, and that we don't feel that anybody is entitled of special meetings. We can't hold 3 million special meetings with our partners. But we like the fact that everybody gets the same deal. Everybody gets the same information.

Up this morning on the Internet, we put up our 10-Q for the quarter. And I'd like to take you through a few comments on that and a few other comments, and then we'll get to the question. When we get to the questions, we will alternate between those mailed in by shareholders, which back equate to CNBC.

And people have helped sort of curated to get what they think are the most interesting questions from shareholders. They're not from CNBC itself. They are from shareholders, owners. And we'll alternate the months from sent in versus the ones that come here.

And we don't get the questions ahead of time, and we enjoy getting surprised by, I'd say, almost all questions. And we will keep doing that, like I say, with a break for lunch until 3:31, we'll have the meeting.

So I would like to start by putting up the first slide, and which is Q1. And there we have it. That's what we published this morning. And there would be no great surprises in terms of the quarter.

I mean there are always some companies that are doing very well, and there are some companies that aren't for one reason or another. And in the end, as you can see, we prefer to use something called operating earnings. No. That is after depreciation and interest and taxes, unlike other companies that prefer to tell you anything about what they earned.

We have -- but we do separate out capital gains, now over time, as I've said, over the next 20 years, I would expect us net to have more capital gains than that. But who knows? I hope you -- I'll report you in 20 years, whether that's or whether not.

But as you can see, we made about $7 billion in the first quarter, and that's real $7 billion. I mean we -- basically, I think in cash when the quarter is over. That isn't true every quarter exactly. But we are talking about $7 billion of real money in that. And those managers who -- the people here you saw in the movie, they are the people that work with your money to accomplish what Charlie and I never thought would, never planned or anything to happen, but it's just sort of came about.

Let's sort of putting one foot in front of the other. Now obviously, the last 2 years in particular, including the first quarter, but all kinds of unusual things happen in our various businesses. I mean, it -- when we had the meeting 2 years ago in May of -- roughly the start of May of 2020, we didn't know what was going to happen with the pandemic, we didn't know what was going to happen with the economy. And everybody that thought they did not gotten all kinds of surprises since.

But here we are in 2022. And Berkshire, like I said, it's $7 billion of operating earnings, and we've got lots and months and lots of companies. We got 360,000 people out there that have taken your savings and going to work every day. And they have jobs. We deliver products and you put up the money for it and deserve to -- you took the risk. And we feel very good about how things have turned out, and we want to keep feeling good.

And we have a extreme aversion to incurring any permanent loss with your funds. If I went broken, it wouldn't really make any difference. I mean it -- I'd keep doing what I do. Forgot a way to read a paper and watching [T.V.] and I think about things and walk to Charlie.

But the idea of losing permanently other people's money, people who trust us, really, that's just the future I don't want to have. As Charlie says, "All I'm wanting to know is where I'll die, so I'll never go there." And that seems pretty solid. It's a way of our -- you missed, and Charlie does this work so far.

The -- and we would die psychologically if we lost a lot of other people's money. We wouldn't take it in the first place be crazy to take people's money and lose it if you're going to feel terrible about doing it. So the one thing I can tell you about Berkshire that I can't predict what our earnings will be and I can't predict what the stock will do and I can't -- we don't know. We don't know what the economy will do and all of that sort of thing.

But we do know that we wake up every morning and we want to be safer in terms of your eventual investment. Now whether you make the most money or anything, we do not want you to get a terrible result because you've decided to become our partner, and that's a pleasure we live by.

Now let's see what we have here. On Q2, it gives some indication of that because we -- this is kind of interesting. I wrote a letter to our owners. And it was stated on February 26, and that was a Saturday released.

But I write the letter all through the year in my mind. I mean I don't -- no, we don't have any way sits out and rise of the letter, anything like that. I mean this is the lever between partners. And I'm writing the letter all here in my head. I'm writing next year's letter.

I don't write out the words, but I have things I want to tell my partners, my sisters' partner. And I'm writing to her in my head. My older sister died not too long ago, but I used to be writing them, although it may effect. And I want to tell her what I think about the business and what I think she ought to think about it and so on.

So the letter is dated February 26, and I said not much is going on. And actually, we might jump over to Q3 if we will. So I sent out a letter on February 26, but that wasn't written on February 26. Then I said, basically, nothing much is happening around here. And I said we repurchased some shares, and we just aren't seeing anything.

And between January 1 and February 18, as you can see, we spent $2.2 billion, which is half the quarter. I don't know, probably 30 trading days in there. And we sold all of them. So basically, we didn't do anything. And then in the next 3 weeks or thereabouts, we spent $40 billion. And incidentally, when we say we spent $40 billion, there's one fellow in the office that does this all. I mean he buys all the stocks, he buys [indiscernible], he doesn't have an assistant or anything. I just -- but he spent $41 billion and -- yes.

And he literally. I mean -- and he does other things for me to put together total. It just does what he needs to do. And he's worked in other jobs at Berkshire long ago, but he likes doing what he does and he does it very well. And we don't have a department for that. Then you can see it fell off after that.

And we did also in the first quarter, we spent about $3.1 billion or $3.2 billion, somewhere between that, for repurchasing shares. And we didn't -- we talked about that in the annual report.

And Charlie would say it would -- is keeping us out of bars, I mean, gave us something to do. And we never do anything that we don't think adds to the value of Berkshire Hathaway, so we only repurchased the shares when that is the most attractive thing. We haven't repurchased any shares at all in April. And so it's people, who are looking for all these income footprints in the woods and all that of what we're doing. We're just doing it day by day as it comes along.

And I think this table kind of illustrates that, that we spent $40 billion in a hurry there between 3 weeks. And now we're back somewhat in our more lethargic move. The fact anything could change at Berkshire. But the one thing that won't change, going back to Q2, if you'll -- as we will always have a lot of cash on hand. And when I say cash, I don't mean commercial paper.

In 2008 and 2009, the natural panic came along. We didn't know anybody's commercial paper. We didn't have money market funds. We have treasury builds. And as I may get into a little later on which might get why, we would we believe in having cash. And there have been a few times in history and will be more times in the history where if you don't have it, you don't get to play the next day.

I mean, it's just -- it's like oxygen. It's there all the time. But if it disappears for a few minutes, that's all over. So we -- our cash was down on March 31 because, as you saw, we spent that large sum there in that brief period during the quarter, $40 billion. We committed to [buy out] any corp something over $11 billion. And -- but we will always have a lot of cash.

We won't -- some of our companies have bank lines. I don't know why they have the bank lines. We're better than the banks, and we'll give them the money I need that. But the local bankers have been calling out on them. And they need something to do. Everybody else has a bank line. So it's harmless, but there's no reason for any of our subsidiaries. That bank [indiscernible] Berkshire is stronger than the banks do.

I didn't hear exactly what -- I don't know what that was a banker screaming or. I don't really like to torture. I don't like to torture anybody. I mean -- but -- and I have all 4 banks, and we'll talk about that a little later. In fact, we might even talk about it right now just for a minute.

Money is kind of an interesting thing. People seem to like to talk to me about it. I mean, they don't ask me how today and sort of anything like that, but they do, they ask about money. And so if we'll put up 20-1, it's a photo of a $20 bill. And it says at the top that reserve, no, it's not.

Apparently, done all kinds of things with money in this country. It's amazing country only a couple of hundred years old. The number of different experience we've made with banks and everything, but we finally just decided let the fellow reserve do the issuing of money. And the down in the lower left-hand corner, it's I think Rosie Rios who signed this note.

I think she signed more U.S. currency than any other person in history. So if you see Rosie, [indiscernible], I mean, this is a little, has issued a lot of currency. But it says this note is legal tender for all debts public and private. And that makes it money. You can go in, go into our candy store and if you offer us enough bushels a week will probably give you a box of candy.

But money is the only thing that the IRS is going to take from you. But you're going to offer them all kinds of -- you can offer them payment, you're going to offer them, all, whatever, but this is what settles debts in the United States.

And I thought that you'll hear a lot about various times. I mean this is the only kind of money you're going to see, in my opinion, throughout your lifetime or even throughout Charlie's lifetime. I mean this is -- it's very interesting because it just says that settle all legal tender for all that's public and private and nothing else.

Says that, except I thought you might be interested in seeing another $20 bill is this one I own. And on that, it's got the same guy's picture, Andrew Jackson, everything. And that's a $20 bill, and that $20 bill was issued during my lifetime. And it was done by a bank that Berkshire ended up owning. So you'll see the Illinois National Bank & Trust, Rockford.

And we bought that bank back in 1969. And if you look down at the bottom of that one, it's signed by a fellow named [Eugene Abag]. And we bought it from [Eugene Abag]. So we still have some $20 bills that came in sheets. We can cut them out like paper dolls. And there are money. The Illinois National Bank issued money.

But just remember, the United States government in fact said that this became exchangeable for lawful money of the United States. That's what money is. It may turn out that becomes worth dramatically less in purchasing power. It could become almost like paper money as it has in many countries. But that is all.

When people tell you that they're reaching new forms of money, this is the only thing that will pay bills under some circumstances, and there were days, a few days in 2008, and we came very close to having a repeat in March 2020, and we have plenty of money on March 20. But we were not very, very far away from having something that might have been a repeat of 2008 or even worse.

And we have a bookstore here, but the book form that's in the other room, and they've got a book, call Trillion Dollar Triage. And for those of you who actually like to read about this sort of thing, it's a marvelous account of what took place day by day with the Federal Reserve and the Treasury. And believe me, the Federal Reserve hadn't done what they did, at least in my view in a very, very, very short period of time things that have stopped.

And I've tipped my hat a couple of years ago to Jay Paul for acting as he did. You have to act with speed. I mean in the old days, when you had runs on banks back in the 19th century, a line formed and the bank would go broke.

But the fellow would pay out as slowly as possible and hoping something would happen. The Wells Fargo truck payment and stage cost would pull up with a bunch of gold or something and sweet talk to people into the line dispersing.

In Omaha, in August of 1931, 4 state banks, so-called state banks, they had a book in that day, they closed and the national banks didn't, but they were all broke out of that day that no bank can pay off in one day all of its liabilities. But the Federal Reserve is the only one that's good at that time. But I will say and tell you this, Berkshire Hathaway will be there at that time.

We run it on the basis that if things just behave slightly and Barry, Hank Paulson, George H. W. Bush, or no, George W. Bush, I'm sorry, and Ben Bernanke and a few people hadn't taken action. We were at that point where the line was formed except the electronic fund and they push buttons on, and it's all over very fast if there's a run on the bank.

If you were to buy a bank and there's 2 banks in town, hire a few extras and haven't go over them start standing in line at the other guy's bank, and there's only one problem with that. After a while, somebody will stand in front of your bank, and then both of you are gone, but the Federal Reserve is not gone and the Federal Reserve in the United States can do whatever is necessary to get all kinds of rules above and do this or that and this and that.

And one time in the 1980s, Paul Walker, who was very honest man said to me. And I said, what are the limits of what you can do and it was a very unusual guy. He looked out at me and we can do whatever we need to do. And that's true. And that's what happened in 2008, '09, and that's what happened in 2020.

And you hope it happens again next time, but you want to be -- we want Berkshire Hathaway to be there and in a position to operate with them if the economy stops, and that can always happen. That can always happen.

Some of those cherry words. Let's see if we -- I think we can actually -- it would be a good idea to start with some questions, as I said we will have the questions alternate between CNBC back quick, and those are questions that have come in from shareholders and they can be directed to any of the 4 of us up here. And then we will go -- alternate and go around the room here, and we've got the auditorium broken into 10 or 11 sections.

Charlie and I at one time got a form and said officers of the company broken down by age. And we just put all of us as an answer to that question, but they -- but we'll have them broken down by categories around here. And we'll keep alternating and we will break for launch at noon and reconvene at 1.
So let's start off. And Becki, will you lead the way.

Question and Answer

Rebecca K. Amick
Director of Internal Auditing

Thanks, Warren. The first question comes from [Jack Seleski]. And he says in the annual letter that you wrote in February 26, you mentioned that Charlie and you saw a little that excites us in the market. Yet around March 10, the deal for Alleghany was announced and then later the Occidental announcement, then to the disclosure of the HP investment. His question is, what changed from the time you dated the letter to the time the investments were announced that the name suddenly become interesting in the space of 1.5 months or half a month?

Warren E. Buffett
Chairman, CEO & President

Well, Charlie, do you want to give your version, I'll give my version.

Charles Thomas Munger
Executive Vice Chairman

Well, my version will really [indiscernible] things. We preferred owning treasury bills. .

Warren E. Buffett
Chairman, CEO & President

And as usual, Charlie's given the total answer, but I'll talk longer and say less. Actually, the letter is dated February 26, where we're confessing our inability to find anything, which was a Saturday.

But the day before that, February 25, I got an e-mail, Actually, my assistant, Debbie Bosanek, gets it because I can't figure out quite how to handle the machinery, but she brought it in, actually she puts a bunch on the edge of her desk, and I collect them occasionally. And there was a note, just a few lines long from a fellow, who is a friend of mine and that worked for Berkshire then many years ago.

And it's on February 25, the day before the -- and he said he now becomes CEO of Alleghany Corp. I've been following Alleghany Corp for 60 years. The annual reports, I had 4 big file doors full of it because it is an interesting company and all companies interested in me.

So I knew a lot about Alleghany Corp. And Joe said, this is my first annual report as CEO, and I just wanted to send it along to you. I just like you to write for your sisters, as I write this report as if I'm writing view. And I sent a note back to Joe. And I said, yes, I'm going to read it, probably the weekend or whatever is I [indiscernible] on it, which was true. I mean I look forward to reading it.

And I said, by the way, I'm going to be in New York on March 7 and can we get together. I'd like to see you. And I've got -- I think I may have said I got an idea. Well, I didn't have that idea the day before. I mean this thing happened to come in on Friday, the 26th. And I knew I'd buy Alleghany enterprise.

And at the end they sent me the note. It never would have occurred to me to write him and say, why don't we have to get together on March 7 or anything of the sort. It just wouldn't have happened except for the fact that Joe wanted to send me along this annual report that they just written. So that's the order really in decision-making progress.

I didn't call up investment bankers and say, you prepare me a report on this and what's your advice I know we buy Alleghany at the price we offered and it was a bit for styling any fine if it wasn't. But otherwise, if that e-mail hadn't been sent, we would not have made the offer for Alleghany. So you've got it to the fact that Joe written the annual report to be centered a week earlier.

Well, I wasn't going to make a special trip to New York, but I wanted to sit out with them and tell them what Berkshire would do. But that explains $11 billion. And what happened was that a few stocks got very interesting to us. And we also spend a lot of money at what happened the market, and this is really important to understand.

And the last couple of years is our mark that there's probably -- it's always been a combination of a casino. And when I talk about Wall Street, I'm talking about the whole capital formation market. But the -- and trading market, et cetera. But the market has been extraordinary.

Sometimes it's quite investment oriented, like it always, you bet about on the books and everything, what capital markets are supposed to do and you study it in school and all that. And other times, it's almost totally a casino, and it's a gambling bar. And that existed to an extraordinary degree in the last couple of years, encouraged by Wall Street because the money is in -- the money isn't turning over stocks. I mean, people say, how wonderfully you'd done if you bought Berkshire in 1965 or something. And hell of it, but you probably would starve to death.

I mean it's -- Wall Street makes money one way or another, catching the crumbs to fall off a table of capitalism and in crumbable economy that nobody could have ever cleaned up a couple of hundred years ago, but that they don't make money unless people do things and that they get a piece of them. And it's -- and they make a lot more money when people are gambling than when they're investing.

I mean it's much better to have somebody that's going to trade 20 times a day and get all excited about just like paying public the slot machine. That's who you -- yes, you may not say that you'd want that person. You'd like the other kind of person, too maybe, but that's where you make the money.

And the degree to which the market got dominated by that is showing on the slide some -- here somewhere. Here's on OXY 1, if you'll put up a OXY 1, that shows how we bought what we came. Well, we bought in 2 weeks, they're about 14% of Occidental Petroleum. And they'll say, well, how can you buy 14% of a company in 2 weeks, and it's more extreme than that. Because if you look at the occidental proxy, you'll see that the standard names, BlackRock index funds, State Street index funds, basically, Vanguard index funds. And then one other firm, Dodge & Cox.

If you take those 4 entities, and they're not going to buy and sell stock. They got their own. So they own 40% of the company roughly, those 4 firms, and they didn't do anything during this period. So now you're down to 60% of the Occidental Petroleum company that's even available or say, Occidental's been around for years and years and years, big company and all kinds of things.

And with 60% of the stock outstanding, I go in and tell Mark Millard just follow it. He's 30 feet away from [Veracelle]. And I'd say in the morning to him buy 20% and take blocks or whatever it may be. And in 2 weeks, he buys 14% out of 60%. That's not investment.

I mean they're not buying from the -- I find it just incredible. You wouldn't be able to do that with Berkshire. I mean, you can't literally buy, you can say you want to buy 14% of the company, it's just going to take you a long, long time, but overwhelmingly large companies in America, they became [indiscernible]. And people were buying and selling like 3-day calls or 2-day calls. And the more people times people pull the handle on the machine, the more money the machine makes. I mean it's very clear.

And overwhelmingly, further people go with the investors just we're sitting around and they weren't for money and the money was being made essentially by a bunch of people gambling on things, and that enabled us in a 2-week period to buy 14% of a business that's been around for decades and trying to -- imagine trying to by 14% of the farms in 2 weeks in this country, or 14% of the apartment houses, or 14% of the auto dealerships or just anything, when already 40% were locked up some other place. It is -- it defies anything that Charlie and I have seen and we've seen a lot. But I've never seen that percentage of the American public.

Essentially, it was a gambling power and the people that we're making money where people work with gamblers. And then it declined very significantly a few weeks ago. You can feel it if you're around them. So when somebody asked a very good question is why weren't you doing anything on February 20 and why were you doing it on starting, in the case of Occidental on February 28. It's because things develop in a way.

And in the case of Occidental specifically, they had had an analyst presentation of some I don't know what was the quarter, we wonder, what it was exactly, but I read it over weekend. And that was the weekend when the annual report came out. I read it over a weekend. And what [indiscernible] was saying, a nothing, but sense, and I decided that it will be a good place to put Berkshire's money, and then I found out in ensuing 2 weeks.

It was there and why there was nothing mysterious about it. But Vicky was saying what the company had gone through and where it was now and what the plan to do with the money and she'll do what she says she doesn't have to buy some oil next year, nobody does, but we decided it made sense. And 2 weeks later, we had 14% of the company.

And we also already had a preferred stock and warrants. And the story of the preferred stock is we paid $10 billion -- per [indiscernible] we paid $10 billion for it. And at the end of the March quarter of 2020, we valued that $10 billion, per our 10-Q, we valued at $5.5 billion. So we had a $4.5 billion loss.

And it would have done. The world changed. Oil sold for minus $37 a barrel one day. And now it's quite apparent, I think, that we want -- we're very happy. We should be very happy that we can produce 11 million barrels a day or something of the sort in the United States rather than being able to produce none and having to find 11 million barrels a day somewhere else in the world to take care of keeping the American industrial machine working.

Charlie, have you got any comments on that as to how something this crazy could have happened?

Charles Thomas Munger
Executive Vice Chairman

Well, it happened. It's almost a man of speculation that we now have. We have computers, algorithms trading against other computers. We got people who know nothing about stocks being advised by stock brokers, who know even less.

Warren E. Buffett
Chairman, CEO & President

I understand the commission, though.

Charles Thomas Munger
Executive Vice Chairman

Yes. It's just an incredible crazy situation. And it's weird that we ever got a system where always equivalent, the casino activity is all mixed up with a lot of legitimate long-term investment. I don't think any wise country would have wanted this outcome. Why would you want your country's stocks to trade on a casino basis to people, who are just like the people who play craps and rule out of the casino. I think it's crazy, but it happened. And it's respectable. Not with me, but agreeable.

Warren E. Buffett
Chairman, CEO & President

Yes. And look at what -- I mean they formed the New York Stock Exchange in 1792 under a buttonwood tree. And it really didn't seem like that was the eureka moment in America. But just look at what's happened using the system for less than, well, 3 of my lifetimes. I mean, it's unbelievable.

So it's worked. Maybe it's worked in spite of itself, maybe over the country. But one way or another, America has worked in an incredible -- nobody could have done it. Nobody. They'd have halved your way if you said in 3 lifetimes that this place where we're meeting. I mean, it became a state in 1867, 1789. Then Franklin or somebody that was walking out of the constitutional convention, what do you think the prospects are for Nebraska. It's just -- it's unbelievable.

It hasn't been accomplished, and it's been accomplished. The people who encourage the gambling make, would like to say it's been accomplished because of the of we've got these liquid markets and all these wonderful things. Charlie would probably say us in spite of that, who knows?

But the answer is that there isn't there an answer. The -- my wife, when we got married, April 19, 1952. We got a car, and we started driving West and we ended up we do it all over the West. But we ended up in Las Vegas. And there were 3 fellows out there. Eddy Barrick and Sam Zigman, Jackie Cohn. And all 3 of these guys were from Omaha, and they bought little pieces of Flamingo. Bugsy signaled who had his career ended rather abruptly a few years earlier.

Charles Thomas Munger
Executive Vice Chairman

By a bullet.

Warren E. Buffett
Chairman, CEO & President

It was a stray bullet undoubtedly. In fact, there were probably 5 or 6 stray bullets. But in any event, Bugsy was gone and some people including 3 guys from Omaha, were in the group. Sam Sigman lived about 2 blocks from where I live now. He was Stan Lipsi's uncle. Stan Lipsi ran, those of you who followed Berkshire and the Buffalo News and were partner for 40 or 50 years later on. So all kinds of things intersect, but I balked into this casino, aged -- for mingle, it's kind of a motel-like arrangement. And I was 21 and my bride was 19. And I looked around the room and there were all of these people, and they were better dressed than I was. More dignified group than perhaps currently. But they've flown thousands of miles in some cases, in planes that weren't as fast as the current ones and were more expensive probably on a per mile basis adjusted. And they've gone to great lengths to come out to do something that was mathematically unintelligent. They knew it was unintelligent. I mean they couldn't do it fast enough in terms of rolling the dice, trying to determine whether they were hot or whatever they may be.

And I looked around at that group. Everybody there knew that they were doing something that was mathematically dumb and they'd come thousands of miles to do it. And I said to my wife, I said, I'm going to get rich. [indiscernible] If people are willing to do this. This is a land of opportunity.

Well, it's the way it still is. And for [indiscernible] be much bigger and Omaha were very proud of Jackie and things he's the only do here to that became sort of the leader, spiritual leader of Vegas. And like I say, Sam's Sigman's nephew went on to save my and Charlie's investment that we made in blue chip in the Buffalo News. It's a very accidental society that [indiscernible]. But there's nothing stranger than what has happened in finance.

On the other hand, if you go back, perhaps the greatest chapter ever written on the operation of markets, particularly the stock market, is in a book by one of the most famous books in economic history, the General Theory written by John Maynard Keynes, I think it was 1936. And I don't know whether it's chapter -- I think it was Chapter 12, but whatever it is, he describes what market is all about in 1936. And he describes something in beautiful prose that explains why the whole country in March of this year was sitting around trading accidental at some point crazy way that enable us to buy a quarter of what wasn't owned by -- for other institutions that weren't [indiscernible] buy 1/4 of it. And we could have bought a lot more. I mean, it was -- I just wondered if there was anybody that really was thinking about investment.

If you -- going back to investing, I mean, investing is laying out money now with the hope of getting back more later on. It's really laying out purchasing power not without getting more purchasing borrower back. But that's the reason. And that's the way you learn it in the textbook, you defer consumption now so you can consume more later on so that you can take care of your family, all these things about how investment takes place.

And that is what happens with farms. I mean that somebody buys the farm and they generally they leave it with their kids or they got it from their parents. And I mean they don't sit there every day and get quotes 15 times a day and say, "I'd like to get a call. I'd look to sell a put on those farms next to me. You can have a call on mine. And then we'll have something called a straddle or a strangle or whatever it may be. They just -- they go about making the farm worth more money. And they do the same thing if they got an auto dealership and they do the same thing if they got an apartment house. They look for proven track tenants, all those kind of things.

And what would it be, $40 trillion at least of the ownership of all of the American business, people trade as poker chips or pulling the handle and they've got systems set up so that if you want to buy a 3-day call on the stock, you can do it. And they make more money selling your calls and if you buy stock. So they teach you false. Nobody's going on selling around Kohl's on farms or anything of the sort. But that's why markets do crazy things. And occasionally, Berkshire gets a chance to do something. It's not because we're smart. It's because we're -- the only thing I'd say we qualify on and sometimes I wonder about that. But I think we're seeing. I mean that -- and that's the main requirement in this business.

And anybody? Charlie?

Charles Thomas Munger
Executive Vice Chairman

Well, we never had anything quite like what we have now in terms of the volumes and pure gambling activity that go on daily and the people lathering the gamblers up so they can book them. And it's not pretty. And I don't find it glitter and glory for capitalism or anything. Anymore than a little bunch of people throwing dice on the table, what good does that do the rest of the world?

Warren E. Buffett
Chairman, CEO & President

It's a great way to become rich, just figure out ways, insert yourself into the system somehow. And jobs, to some extent, self-select and many years ago. And I've got all kinds of friends on Wall Street, not as many as I had before I had started talking this well. But I really do.

I mean people make -- they make lots of decisions in their life and the truth is that overall, the American system has worked extremely well. It may be very unfair in many ways, but it has produced incredible difference in the goods and services available to me versus what my grandfather had available. I do not want to go back to pre air conditioning and people pouring whiskey down while they drill my teeth or something to this order. and I mean this is a lot better world.

Charles Thomas Munger
Executive Vice Chairman

Well, I think we've made more because of the crazy gambling, I think it's made it easier for us net over the decades we've been operating.

Warren E. Buffett
Chairman, CEO & President

Well, I mean we've depended on it.

Charles Thomas Munger
Executive Vice Chairman

Yes.

Warren E. Buffett
Chairman, CEO & President

I mean we depend on mispriced businesses through mechanism where we're not responsible for the mispricing of them. And overall, we learned something a long time ago that doesn't take a high IQ, doesn't take anything, it just takes the right attitude. We may talk more about that later, but I think we ought to prove that we've got an audience here by going to Section 1.

Unknown Attendee

Good morning. My name is [Ola Polem]. I live in Hannover, Germany. This is my first time in Omaha. My question is on Berkshire buying entire companies outside the U.S. There were a few, is probably the first one. Louis in Germany. My question is, would you only answer calls from them if you're interested in? Or would you proactively approach them if they would like to sell their company?

Warren E. Buffett
Chairman, CEO & President

I would -- we actually made a few trips. I think I made -- maybe Charlie one. But we try to stir up the interest and all that sort of thing in Berkshire around the world. We probably did that 20 or 25 years ago. During that period that I showed you that burst of action we had, we probably spent -- probably -- we probably spent at least $5 billion of that, in the area of $5 billion of it. We bought 3 German securities. We bought 2 -- well, we bought 1. Japan, we rounded up on some of the holdings we already have there. We would love them to buy, but they don't think of us as quickly there. I mean I don't have somebody that's going to send me an email about a company that I've been following for 60 years. And I know I can see them in New York and they have a number to them and if he likes something take those boards and so on. It just doesn't happen that way. We haven't had that experience. And -- well, anywhere outside United States, no. I didn't say with $40 trillion here, we should be able to find something here a little closer to home.

But we don't have any bias against there's -- there are companies we buy in 10 minutes if we had somebody on the other end that could do business in 10 minutes. It's much more complicated in certain countries than the United States to purchase businesses. And there are certain rules.

But I would say this. We got a call, whenever it was, 10 years ago, on the -- on our company in Germany. And actually, the 2 fellows that run it are probably here in the audience, I saw them yesterday, and they're marvelous and they run the business. And they're just trustworthy as all the pictures were up on the movie we showed before the meeting started here.

We have so much trouble finding good ideas that we can't afford to ignore any, but they do have to be sizable now. I mean there really isn't -- there isn't a lot of -- I love the operation we've bought in Germany and it's just a pleasure to be associated with the people there. I just wish we could add another 0 to all the figures, it was a much larger deal. It's not going to have an economic impact on Berkshire, but they love it, they care. You can see it. You can feel it. And that's the kind of business we'd like to happen, and we're very happy we've got at Berkshire. But we can't do it one Detlev Louis at a time. and we would never, never sell an operation like that ever.

I'm looking at you, Greg. But if we get a call tomorrow and we could make a deal, involves $10 billion or $20 billion that was in Germany or France or Britain or Japan, name a home, we'll do it. We bought them. [indiscernible] in the 5 leading trading companies in Japan a couple of years ago and -- and I rounded them up a little bit. But I told them originally, we weren't going to buy a lot, but we were going to change our positions materially. We went out there, okay. So we actually, I think, rounded 5.85% based on the latest figures we have then of all 5 of them. And that look at the many hundreds of millions or maybe $1 billion or $2 billion to work.

So we will -- we kind of said, well, pay any price, climate [needle], whatever may be, to find businesses. But we actually prefer it when they fall into our lap like getting a letter from somebody from a couple of years. And you know what you take for the business and you know if the Board of Directors of that company in regards to the attractive, we'll be happy to buy it. And they know you're going to show up at the closing and that you're not going to pile debt or change things or they've got an answer. And then you have to see if they got -- the question in their mind is what's the best thing to for [indiscernible]? And in that case, we had $11 billion less at the end of the day, at the end of the dinner, than we had at the start of the day.

So opportunity can be any place. And we do have a terrific operation, for example, in Israel, that just terrific. And it's a pretty good size. Would we like to have another one like it? Yes, I just don't know what the other one is. Charlie?

Charles Thomas Munger
Executive Vice Chairman

Well, we think in the scheme of things, imagine buying in $60 billion worth of our own stock. We like the businesses. We like the price we're paying. No overhead, no cost, no nothing. Just more interest than what we already own. Isn't that we're totally wasting our time?

Warren E. Buffett
Chairman, CEO & President

And if you look at it, there are -- you can read hundreds of thousands, maybe millions of words written on stock repurchases and what this isn't and what that isn't and as coming it's not very complicated. You had a partner in a lemonade stand and they wanted to sell their interest. There are 2 partners and one wants to sell our interest. I mean -- and the business had the money to buy it at lemonade stand and they were offering at a price that was good for the other, 2 people are going remained, you'd buy it.

The thing is fascinating to me is what you can accomplish and still people don't pay any attention to it. We owned, in 1998, it was more than 20 years ago, we owned about 150 million or whether they split whatever it is, they split, they split adjusted, but we owned 150 million shares of American Express. I think we bought our last share in 1998 or something like that. And we then owned 11.2% of the American Express company, wonderful company.

And since then, they've sent us a check every quarter, it's a dividend. So we've taken some cash a little bit as they go along. And now we own 20% of American Express. That's what's happened because they've repurchased shares. That happens to work out extremely well. If they overpaid for the stock and all that, it doesn't solve every problem. But it's a wonderful thing if you've got an asset you like and they take your ownership interest up. Like I say, we've gone from 11.2% to 20% using your American Express card or whatever it may be. 20% of whatever earnings are attributable to our interest in that used to be 11.2% and we've done it without putting up any money.

Now imagine if you owned a farm and you had 640 acres. And you farmed it every year. And you made a little money on it and enjoyed farming. And somehow, 20 or so years later, it had turned into 1,100 or 1,200 acres. I mean you'd say how long has this been going on? What could possibly be -- is this an American or whatever it may be. I mean, is it a sensible use immediate cost of capital, blah, blah, blah. And if you do it at the right price, there's nothing better than buying in your own business.

We own -- I mentioned Apple as an example, of how our interest in Apple -- retirement company that earns $100 billion a year now and means that our interest in it goes up 1/10 of 1%. And we've added another $100 million to earnings. Well, it takes a lot of work, $100 million in earnings.

In the first quarter, they just reported. They're on a fiscal year, but they just reported their March quarter and they earned more money and they had fewer shares outstanding. And we actually bought a little more Apple in the first quarter. So we decided we want to own a greater interest. And on top of that, we knew that we would own an even greater interest if the buying in their shares, which we didn't have any insight or information or anything, but certainly would seem the way to bet. And we feel better because we bought the shares we bought in the market, and we feel just as good as the fact by the fact they use their cash to buy out some of the other people.

It is the simplest thing in the world and then I read all this stuff. It is unbelievable. People can't figure out something. If they own the farm and they got next to them at a farm and some we're getting more of this farm without putting up any money while you're part of your own farm. But at least you're using some of the earnings for that, you feel very good about it. Have you got any explanation for it, Charlie?

Charles Thomas Munger
Executive Vice Chairman

Well, I have -- another thing that interests me and the presidency, we get all these suggestions from index funds letter saying we Chairman and the Chief Executive are the same person and that they have some professors somewhere, things that American businesses are working better if they're separate. It get split even 2 and have each half work.

And to me, it's the most ridiculous criticism I ever heard if you like would like Odysseus would come back from winning the battle in Troy and so forth and some guy was, hey, I don't like the way you were holding your spear when you won that battle. If some guy has never run a bit, he doesn't know anything. I don't think too much of this anecdote.

Warren E. Buffett
Chairman, CEO & President

Let's see. Somewhere in here. I may find it at some point. All right, here it is. We wrote in the annual report, that in the third paragraph, a 9 page report, we said we're going to treat everybody the same. Maybe a crazy concept we have, but we really feel somebody that gave us their savings in 1960 or 1970 or 1980 and just left them with us and trusted us, we feel that they're entitled to the same sort of respect and attention that somebody that is accumulating like crazy assets under management gets paid based on assets under management that knows that they just need to have policies that essentially are popular in Washington. The only thing they have really is that Washington that sometimes is that you're getting too damn big and we're going to do something about you. So they try to be very sure that they're doing things that people will share.

So anyway, I say, well, we're going to treat you all alike. We've got 3 million people or shareholders out there, we're going to treat you all the like. And on March 25th, about a month after I wrote that letter, same as the third paragraph, you'd think that they get that for -- that they -- they had the 101 million B shares. I mean somebody ought to read to the third paragraph.

But anyway, we got a lot of [indiscernible], we would like to meet with you in advance of Berkshire Hathaway's 2022 Annual Meeting of Shareholders to discuss Berkshire Hathaway's perspective on governance and sustainability. Well, I have written probably more on that, that's been honestly written from -- by the guy who runs the company. But why and how would they think that we should meet with them and not you people all individually that come here?

I grew up in a very, very, very Republican household. I feel like some raving populist or something, but I just can't imagine -- well, anyway, you've heard it.

Somebody gets paid to -- well, there's a lot of people I'm sure in public relations and they hire advisers. And because it looks better if they have advisers to tell them whether the Chairman or the CEO should be the same person or not and those people get paid for it. And then they discuss it at the Board meeting.

And then in the end, believe me, if 90% of the Congress for some reason felt it was better to have Chairman and the CEO will be the same person, the index funds would not be right in front of me those numbers. All I have to worry about is whether for some reason people start wondering why some institutions should have 10% of the votes in every major corporation in the country.

And I like the idea of index funds, but it is interesting to watch where incentives and bureaucracy and whatever it may be, lead people. Guy that wrote me a letter is probably a very nice guy. I haven't met him. But that's his job. And -- anyway they didn't get a special meeting. And you people are here, and we appreciate the fact you're here.

Okay. Back to Becki.

Becki Amick

This question is for Ajit and Greg. It comes from [Ben Knoll], who is a shareholder of 30 years. He's a Nebraska brake native and he says he'll be attending the meeting here today.

BNSF and GEICO appear to be losing ground to their 2 primary competitors, Union Pacific and Progressive. Over the past several years, UP's operating ratio has been about 400 basis points better than BNSF's. And Progressive has grown faster while maintaining a lower combined ratio than GEICO. On an operating basis, UP's precision scheduled railroading and Progressive's telematics appear to have jumped ahead of the Berkshire businesses. He wants to know what Greg and Ajit are doing to address those business challenges.

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

Okay. Thank you, Becki. Let me just start by saying when we think of BNSF, we have an exceptional franchise there and a great business. And we do compete with other railways and we're very well aware of how they operate, including their operating ratios and the metrics they operate to and precision railroading. And it's all part of it.

But what I would share with is when I think of BNSF, we start with focusing on our customer, understanding how we can best service them. And yes, we want to do it in an efficient and effective way that delivers great results back to our shareholders. And that will continue to be our focus.

So yes, we learn from all the metrics they report and how they operate their rail and we observe it. But I would put our team up right beside them on any operating day and we're going to move our railcars as well as any other rail company in America and we're going to do it on behalf of our customers. So we're very proud, but we're not ignoring the fact that there's more to be done, both operationally and for our customers.

So we'll continue to see improvement there. We've got a great leadership team there. We've got a great employee group within BNSF. And what I like is we're just going to see long-term improvement there. We have an exceptional intermodal franchise out of the West. It's incredibly valuable to our shareholders long term, our partners. And that's what our team is focused on building, that franchise out. So I couldn't be more proud of where we're at, but we also know we have a journey ahead of us and we're going to continue to get better and better.

Charles Thomas Munger
Executive Vice Chairman

Greg, if we -- whatever the opportunity, would you trade our operation for theirs?

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

Never. Never. And we love our...

Charles Thomas Munger
Executive Vice Chairman

He knows a lot about it.

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

We have a great franchise, and we have a great leadership team running it. So well said, Charlie, thank you.

Warren E. Buffett
Chairman, CEO & President

And I just -- before I go to Ajit. And Greg was a major partner for 20 years, more or less, a little over that since we've we bought the energy company. And his boss was David Sokol. And the 2 of them, I mean, they know how to run businesses. I mean, it isn't like we don't -- we don't read what the other numbers are and all that, but we've got the perfect person running in Katie Farmer. We've got the perfect person running BNSF. And she'll do a great job changing around the railroad in various ways. If you've got 20-- 21,000 or something miles of on track and all kinds of other doesn't count sidings, double tracking and you've got a lot of things to do from something that they started building a couple of hundred years ago and -- not quite a couple of hundred, but -- and you can't -- you can't move things around usually towns. When you came into Omaha in 1860, well, the railroad didn't even go across the river. I mean, even though we'd become a major rail center for the west or the opening to the west.

We're going to be here 100 years from now, we will be an important -- a really vital asset of the country and it will be a very big part, very important part of Berkshire. And we will take what is an incredible assemblage I think of 300 and some railroads or something over time.

And the trucks got laid. The robs laid out 150 years ago, the world changes, but you have -- we have to adapt to it. But you don't do it. You don't put an order out to change 1,000 miles operator the sort. So we're running it to have that asset for Berkshire shareholders. And well redundant to the -- down to the benefit of the country if we do it no matter who ran it would be important obviously enormously to the country. And the UP will be here at that time, too. And it will be a better railroad 100 years from now than it is now. But I can't promise you what will happen if we get flooding something in the next few months. It can -- why about a lot of the plans you have and disrupt lots of lives and disrupt lots of shipments. And there are no magic wand in railroading to make great changes. On the other hand, you ought to be working at it every day to make it better.

I forget how many bridges we have. But some years ago, we were spending $3 billion or $4 billion a year on capital expenditures on one I said -- That's a lot of money to spend, keeping up a railroad. He said, "Well, we're going to have to do that more and so on". And I said, "Well, I said I can handle this, but I'm not sure Charlie can. I have to explain these numbers to him."

So the next bridge they bought -- they built, they called the Charles T Munger Bridge. So you can actually go see our railroad out to Charles T Munger Bridge because Charlie -- Charlie, I kind of was asking similar questions 10 years ago. Ajit?

Ajit Jain
Vice Chairman of Insurance Operations & Director

Okay. Thank you, Becki. There's no question that the personal automobile insurance business is a very competitive business. Having said that, both GEICO and Progressive are 2 very successful competitors in this segment. Each one of them have their pluses and minuses. But having said that, there's no question that more recently, Progressive has done a much better job than GEICO, as you point out, both in terms of margins and in terms of growth rate.

There are a number of causes for that, but I think the biggest culprit as far as GEICO is concerned, and again you rightly pointed out, is telematics. Progressive has been on the telematics bandwagon for, I don't know, more than 10 years, probably closer to 20 years. GEICO, until recently, wasn't involved in telematics. And it's been only the last 2 years that they've made a very serious effort in terms of making -- using telematics for segmentation and for trying to match rate and risk.

It's a long journey, but the journey has started and the initial results are promising. It will take a while, but my hope and expectation is that hopefully in the next year or 2, GEICO will be in a position to catch up with Progressive in terms of telematics. And hopefully, that will then translate into both growth rate and margins.

Warren E. Buffett
Chairman, CEO & President

It's very interesting. I mean our insurance industry is a fascinating [indiscernible] in that the largest auto insurance company now. And we're talking 2022 Henry Ford, I mean it was 1903 or something when cars really got started. And it wasn't too many years after that, but the turning out 2 million cars a year. Imagine that, 1 guy, 2 million cars, years a lot of cars. So car insurance became very important. After hundreds of years of when people thought about insurance, it was -- it was ships at sea and fire where they have protective societies. And insurance as a product has been around a long time. But auto insurance, that's been pretty much the same thing since Leo Goodwin started GEICO in 1936. And we came along with a good idea and lots of big companies and all that.

But the largest auto insurance company in the United States was started over Illinois back, I didn't know anything about insurance, particularly, and it's a mutual company. It's not supposed to succeed in capitalism. I mean if you go to business school, they teach you that only because you have incentives and compensation and all kinds of things, can the company succeed. Nobody has really gotten rich off State Farm. They're just out there, and they are the largest insurance company, while Leo Goodwin started some 80-years ago and he probably wanted to get rich and probably at Progressive. People wanted to get rich in the travelers and Aetna name off dozens and dozens of company. And who wins? A mutual company. In terms of present size, they still are the largest company. They have believe out Berkshire, they got the largest net worth by far. I think they've got $140 billion or something like that of net worth. And Progressive is had a very, very, very smart guy running it for a very long period of time. They've got a very smart people running it now. But they have a net worth that's 1/6 that of what some people over now Illinois that nobody knows the name of after years of -- they've had the time to sell the same product, they advertise like crazy, we spend $2 billion a year telling people the same thing we've been telling them 70 or 80 years. The policy doesn't change. But when we get all through, State Farm is still doing more business than anybody. And it shouldn't exist under capitalism.

If you went there with a plan, to start a State Farm today and have it compete with Progressive, who would put up the capital? I mean the mutual company that you're not going to get the problems from. It doesn't make any sense at all. Except they've got $140 billion or something like that of net worth. And Progressive, I don't know what their net worth, must be somewhere around $20 billion or so. I haven't looked for a long time.

Their net worth in the first, incidentally I mean, they are very, very, very disciplined in underwriting. And of course, on the investment side, their net worth dropped in the first quarter because they own a lot of bonds. And they say, well, that would -- probably everyone in insurance business would say that, well, we own bonds because that's what people do. And here's half the business where you do what people do and the other half of the business use and all kinds of time to analyze in every and every counting and every single way you can segregate and properly rate business and all of that. And basically Peter Lewis sat my office 40 years ago and smart as hell. And this guy was clearly going to be a major competitor of Berkshire's insurance backward and forwards and very bright and everything, but they just ignored the investment side. And that was as important as the underwriting side.

And it is interesting how organizations function and have, what I would say, to some extent, blind spots. And the question, Charlie, I know we've got all kinds of blind spots ourselves, so we have to be kind of careful of criticizing other people for having them. But it is -- the auto insurance business ought to be studied in business school because it essentially refutes so many of the things they're presently teaching. So that's my suggestion today to business schools. Okay.

And thanks, Ajit. Ajit is responsible for adding more value to Berkshire than the total net worth of Progressive. That's not to knock Progressive, I'm just saying one guy.

Okay. Station 2.

Unknown Attendee

Hello Warren and Charlie. It is great to see you both and the wonderful Berkshire managers. Our thanks for everything that you do. My name is Rajiv Agarwal and I'm from New Jersey. My question is on market timing. We have always said that it is impossible to time the markets. Yet, if we look at your track record, you have had amazing timings with some of your key decisions. You got out of the stock markets in 1969, '70. You got back in '72,'72, '74, when the markets were really cheap. You did the same thing in '87, '99, 2000. And today, we are sitting on a significant amount of cash when the markets are going down. My question is, how do you time the big market moves so well?

Warren E. Buffett
Chairman, CEO & President

We'd like to offer you a job first.

Unknown Attendee

I will check it.

Warren E. Buffett

Chairman, CEO & President

The interesting thing is, obviously, we haven't the faintest idea what the stock market is going to do when it opens on Monday. We never have had. We have never made -- Charlie and I, I don't think, in all the time, we work together. And I'll tell you something later on maybe about how learning takes place. But we have never -- I don't think we've ever made a decision where either one of us has either said or been thinking we should buy or sell based on what the market going to do. Or for that matter, on what the economy is going to do. We don't know.

And the interesting thing is sometimes I get some credit, some place for the fact that how wonderful it was that we were optimistic in 2008 when everybody was down on stocks all I think. We spent a big percentage of our net worth in a very dumb time. I shouldn't say we. It's I. We spent about $15 billion or $16 billion, which was a lot bigger to us then than it is now. We spent it in the last few weeks, a period of 3 or 4 weeks between Wrigley and Goldman Sachs generally at a terrible time as it turned out. I mean I didn't think -- I didn't know what it was going to be a good time or bad time, but it was a really dumb time.

And I've wrote an article for the New York Times and by American and all these things, but -- if I had any sense of timing and waited 6 months until -- I think the low was in March. In fact, I think I was on CNBC maybe that day or something, but I totally missed that opportunity. I totally missed in March of 2020.

We have not been good at timing, we've been reasonably good in figuring out when we were getting enough fo our money. And we had no idea when we bought anything. Well, we always hoped it would go down for a while, so we could buy more. And we hoped even after we were done by and matter the money that if it was cheap, the company wold keep buying and in fact, taking our interest up. I mean that stuff you could -- you could learn them in 4th Grade, but it's not what's taught in school.

I mean -- so never give us any credit Well, actually give us all the credit. I mean, tell everybody I was smart, we are, but we are -- we haven't ever timed anything. We've never figured out insights into the economy.

Well, when I was 11 years old, March 12, I guess, 1942, at March 11, I bought stock when the dollar was 90 -- well, it's 101 in the morning. It was 99 at the end of the day, I think. And now it's 34,000 or maybe a thousand less than it was on Thursday. But I just -- it's one decision that the good thing to an American business.

And if the Harvard endowment that come to see me, this 11-year old. General Motor pension funders something, no, but we have to have a balance in that to maybe have 60% of and then we have to sit around every 3 months and listen to a bunch of the manager. They've just done better if they've just taken some darts on them and thrown them and just said we're going to be in America 50 years from now, 100 years from now and we'll do better in stocks than we will in bonds.

It's amazing how hard people make what a simple game of it is. But of course, if they told everybody what a simple game it was, 90% of the income or more of the people that we're speaking would disappear. So really a little too much of it to expect of human nature that people will explain why they really aren't adding any value to what you can do by yourself. Or actually, you're -- I hate to use the example, but you can't have monkeys throwing darts at the page and take away the management fees and everything. I'll bet on the monkeys, but not -- I don't consider them as superior species and I don't want them to move next door instead of my next door neighbor. But that is the way. It's just the way it has to be.

Charlie, do you have anything cheerful to say?

Charles Thomas Munger
Executive Vice Chairman

Well, frequently, well, the Wilson Advisory business, so it used to be -- you go to your investment adviser and you say, what should I do to protect myself for the future? And he says, "Why don't you give me $50,000 of your net worth now? That's my contribution to your first year." It's a peculiar business.

Warren E. Buffett
Chairman, CEO & President

Yes, it's a great play difficult, Rich. It's still -- if you have -- if you have a son or daughter that really wants to make money per point of IQ and per erg of energy and all of that, tell them to go to Wall Street. I mean I don't have the manner of a priest if that's what they -- it sells selects. And it always will be the case. I mean, no reason to spare about humanity because they behave in their self interest. They may not actually be behaving in their self interest over time, but they -- are they happier? Who the hell knows? But they just want to make money.

Well, people here in the auditorium saw a little session from the Solomon episode. And Gerald Corrigan was the Head of the New York Fed. And that same committee was grilling him and they said they were giving him a hard time. And they said, who was the highest -- they said something to this effect that who is the highest paid guy at Solomon last year? And they said, wow, maybe you name him. And he said you got a figure whether it was $20 million last year. We're talking 1991 now, too. So they got $20 million. And the guy says, "Well, how old is he? "and he said, "Well, I think he's -- Corrigan somebody affected, is, I don't know, 26 or something like that. And then Corrigan couldn't resist saying, and he can't even throw a football.

The truth was now there's a lot more money in throwing a football than there used to be. One of my heroes was Ted Williamson. I think he was making $20,000 or $25,000 a year. And just imagine today, some got the best 2 30 or 2 40. He makes it to the bigs. I mean the money flows in and of course those people should sit on and thank the fact that the stadium that could hold 30,000 or 40,000 people who was the source of revenue for the people who paid their paychecks, that stadium went from 30,000 to 40,000 because somebody first invented television and they came up with cable and they can pay and all that sort of thing. And nobody knows the names of those people. But capitalism is very, very, very peculiar in how it dishes out rewards. And for a while, it was better to be in Wall Street than the 220 or 230 it earn and the bigs. And it is now reversed because development of TV, et cetera.

So it's a crazy world. Rewards seem very, very, very capricious than they are and they don't seem on or even to Charlie at main our spurt. And the whole thing seems kind of crazy, but it's worked awfully well. And even the people who don't take a -- get shortchanged by the system are doing far, far better than if the system hadn't gotten changed. It doesn't mean that -- doesn't mean that you necessarily shouldn't work for change, but you should recognize the limitations of what you can do with humans, put it that way.

Okay. Charlie, is there any way you'd like to close the sermon?

Charles Thomas Munger
Executive Vice Chairman

Well, I do think we have a very interesting phenomenon in -- I would argue that a lot of the wealth advisory business, people are charging for skill and delivering closet index -- closet indexization. In other words, nobody can stand being that different from the crowded results there, they'll lose their fees. So everybody does the same thing. It's mildly ridiculous. The world is mildly ridiculous.

Warren E. Buffett
Chairman, CEO & President

Yes. But as Charlie pointed out in the movie, which you'd be aware of, before we were married, we tried to convince a couple of young women that we were really more attractive than we were. You can expect people not to be able to self-inter and, that was very important that we didn't dispose all -- disclose all of our weaknesses before the marriage. So we're not trying to be a little better.

Charles Thomas Munger
Executive Vice Chairman

We may be a little -- and I don't know about you, I slightly improved since I was 70.

Warren E. Buffett
Chairman, CEO & President

Well, that's a really interesting point because if fortune just showered you with all kinds of good things, you want to be a better person in the second half of your life than in the first half. I mean that is really should not be asking too much people if they've won The Ovarian Lottery they're born in the United States and all kinds of good things have happened to them and you've had a chance to see how stupid you were and all kinds of things you did, why not have the second half of your life, be better than the first half? I mean is it -- I would say working from a very low base, but I mean, I'm not nearly by any intelligence test or -- I haven't learned anything, but you do learn certain things only by interacting with people and you don't know when you're 2 years old, no matter how much you're picking up all kinds of not only from the world, learning machine that's going on in a 2-year-old's head is just unbelievable. But it's not the same as having 30 or 40 years of experience with actually how the human animal behaves, which is, mean you're learning all the time about it. But that should make you a better person in the second half of your life in the first event.

I would say that if you say you're a better person in the second half, I've got a reason to say it in the first half, forget about the first half, enjoy the second half. And I think both Charlie and I have had the luxury of old times, so we get to play what we would regard as the whole full and respectable second half. And we have had enough sense to figure out, well, we figure out what makes us happy, and we've gotten somewhat more sensitive to what make other people unhappy and all that sort of thing. And I'd rather be judged by the second half of my life than the first half. And so with Charlie.

Charles Thomas Munger
Executive Vice Chairman

Yes, of course. Okay. I'm very -- I don't even look at what I did when I was young, because it would embarrass me.

Warren E. Buffett
Chairman, CEO & President

Okay. Any of you wish to quiz Charlie on specifics, could do so later. Becki?

Rebecca K. Amick
Director of Internal Auditing

This question is -- there's a 2-part question. It's for Warren and Ajit on the first part and for Greg on the second, it comes from Roger Clefman. He says, several years ago, Mr. Buffett was quoted that a nuclear attack is the greatest risk to Berkshire Hathaway Insurance. Given the present circumstances, what would the fallout be on Berkshire Hathaway insurance if a nuclear event occurred in the populated world? And then secondly, for Greg, has Berkshire Hathaway Energy suffered any physical or cyber attacks and irrespective of that, has any special hardening of security been put into place?

Warren E. Buffett
Chairman, CEO & President

Yes. Well, the first half, every day since August of 1945 every day -- and accelerating dramatically when a second large country had the ability to kill millions of people, which has been magnified by the incredible factor that is, that there is a risk every day. It's a very, very tiny risk, but it's a [indiscernible]. Anybody at this table could tell you if you roll -- well, they had some paradise out of the Desert Inn in Las Vegas for a while under a glass thing, and some guy is throwing 2 passes in a row, and I don't know maybe the odds of $8 million have won against that, or $4 million -- $4 billion have won against it.

But if you just keep rolling the dice, everything will happen. I mean get 330 million Americans out tomorrow. Every American says heads or tails and they do it every day after 10 days. You've got 30,000 of them called the flip 10 times in a row. And if you do the 10 more days, you've still got a bunch of people who have done it 20 times in a row. And they really think they have learned how to control the flip. Well, the answer is the world is flipping a coin every day as to whether people who can literally destroy the planet as we know it, will do it.

And unfortunately, the major problem is with people who have large stocks of nuclear weapons in. And I see [indiscernible], let me talk about using tactile nuclear weapons because somebody will be very upset because they're losing a war. I mean I think somebody is willing to kill hundreds of thousands of people with the tactile weapons, why did they stop? It is a very, very, very dangerous world. And...

Charles Thomas Munger
Executive Vice Chairman

But we don't have any way of protecting against big nuclear attack. I know what I'm going to do if there's a nuclear war, I'm going to crawl under the table and kiss my ass goodbye.

Warren E. Buffett
Chairman, CEO & President

Well -- yes. And Charlie is in charge of loss control at Berkshire. We have no solution for that.

Charles Thomas Munger
Executive Vice Chairman

No, we don't.

Warren E. Buffett
Chairman, CEO & President

And there isn't any solution for it. And it's extraordinary when you think about it. In August of 1939, September 1, is you all know, we moved into the Poland, but nobody really knew that much about it here. I mean the news you got from the news really went to because a theater was air conditioned or something. So I went to the movies, which you wanted to do in the summer because there was air conditioning in August -- well, September 1 in the case of the actual movement into Poland.

But there was a few people on the screen and some guy with an authoritative voice telling you the German forces have just moved into Poland and picture of a few tanks maybe, and it's over in a minute. Now, of course, all day, every day, you see people dying who you very much empathize with it. It could be you instead of them, and it's so different. But in August of 1939, it was a letter sent to President Roosevelt about 1 month ahead of time. And why did he get that letter? He got the letter because Hitler was on, and it's a metric basically, build all the Jews see it coming out of Germany and the [indiscernible], some great scientists.

And Leo Szilard was [indiscernible] he got driven out. Einstein got driven out. And Leo Szilard lands eventually in the United States. And he writes a letter to tell the president of the United States, that would be Roosevelt, that there's a bunch of uranium moving during ways or whatever it may be. I don't know anything about Physics. I don't know what the off and on side of it. But in any event, I know what the letter did. So he writes a letter and says something big may happen in Physics and America better get to it first. But then he has the problem, how do I get it to Roosevelt? Leo Szilard, who's here in the United States. So he figures if he gets Einstein to co-sign it, the president will pay attention. He's right.

So he gets Einstein and the two of them send the letter and they sent them to Roosevelt. And they wouldn't necessarily have been in the United States if it had different -- hadn't had the crazy view about Jews basically. And so anyway, that letter went and we developed the atom bomb before anybody else did. It was a very, very fortunate development that Leo Szilard and Einstein happened to end up in the United States rather than -- perhaps be someplace else, who knows? But the accidents of history -- and the -- there's going to be more accidents in connection with atomic labs. We've come close various times.

I mean we had geese flying over somewhere up north, and Norred gets so crazy signal, we've had long training takes place -- we're in the Soviet Union or something. It looks like things are going on. And it's -- we can't do anything about it. And that is one risk that Berkshire absolutely has no interest. And even though you can say everybody in the world should have an interest, but it doesn't do us any good. The feeling because doesn't do as any good to think about it. But that doesn't stop the fact, but there are 2 powers in the world, but through a miscalculation of the other's intentions, through all kinds of things, have come close in the past.

And Charlie and I lived to the Cuban missile crisis, and we knew there was some chance that the weapons of mass destruction would be used. And believe me there that there's a lot more bad that can happen. And humanity has not really come up with a counter force, to technology. I mean look back in the caveman ages if you were a sociopath or something. You throw a rock at the guy at the next cage or something. I mean, it was sort of proportional to -- and we kept development. And there was this breakthrough where technology has totally outrun humanity, and we'll see whether what happens. But so far, so good.

And Berkshire does not have an answer to them. We don't know -- there are certain things we don't write policies on because we wouldn't be able to make good on them anyway. And everybody would know we wouldn't be able to make that on them. So we're not -- you have that risk, and there's nothing Berkshire can protect you against it. And we've been very lucky so far. Ajit, you ever got any questions in terms of...

Ajit Jain
Vice Chairman of Insurance Operations & Director

In addition to all what Warren has said in terms of the chance of something like this happening, the additional thing that concerns me about a nuclear situation is my lack of ability to really estimate what our real exposure is in the event of a nuclear event. When you're talking about other big exposures, we have earthquake and hurricane and cyber, I can with some reasonable degree of accuracy, have a point of view in terms of how large our exposures can be and how big our loss can be.

When it comes to a nuclear thing, I sort of surrender, it's very difficult for us to estimate how that can be. Very many different lines of exposure will be affected by it. And even though in almost all our kind of contracts, we try and exclude nuclear as a covered payroll, nevertheless, if something like that were to happen, I'm fairly positive that the regulators and the courts will hold it against the insurers, and we will be -- and they'll rewrite the contract and will be required to pay.

For example, one thing which is already being talked about, we issue what are called fire policies. And these fire policies try and exclude nuclear as a covered peril. But there are several regulators who feel that, [gee], if it's a fire policy and if the nuclear attack causes the fire, then how can you exclude fire and you better include fire. So debates like that, we will have to live with and it will be very difficult for the insurance industry to fight back both the regulators and the court systems in terms of what is covered or what is not covered.

Warren E. Buffett
Chairman, CEO & President

And there won't be any regulators or anybody else. So we'll leave it to a million years of reconstruction. Einstein said that -- he said, I know not what the weapons will be for World War III, but I know the weapons for World War IV will be sticks and stones. There's a lot of things. I mean it just -- if you're worried about the effect of nuclear attacks, you've got other things to worry more about than the value of your Berkshire, I'll put it that way. And station...

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

Warren, do you want me to touch on the cyber?

Warren E. Buffett
Chairman, CEO & President

Oh yes. Sure.

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

Yes. I'll just touch on the cyber because it was raised. And when you do think of Berkshire and they use Berkshire Hathaway Energy as a reference, but cyber risk and managing that risk, both at Berkshire, really falls across all of our subsidiaries. And it's a constant risk that's there. It's one of our greatest risks. We're always evaluating and trying to literally defend against. And if we use Berkshire Hathaway Energy as an example, we would receive billions of attacks every day against our various operating systems. So that's basically what our team is in place for both the hardening assets to deflect it, and then evaluating the underlying attacks we have every second of the day.

And by the way, that would -- we'd have a number of operating subsidiaries that experience that. But obviously, it's the rail and the energy and a few others that we spend a lot of time on, a lot of effort, a lot of resources. And the good news is that today -- that through to today, our teams have done an exceptional job. We really haven't had a significant event. We've had some minor events at small businesses, but across our major businesses, across our major operating systems, we've had the proper security protocol in place to avoid events. But again, it never stops, our team would tell you, that every day that's a risk they recognize and a risk they're addressing within the businesses. So a significant risk, but a significant priority for all of our operating teams.

Warren E. Buffett
Chairman, CEO & President

Yes. And I would add one thing, I think Greg knows way more about this than I do. But my impression from everything I've seen is that you always have -- historically, the private industry has always said the government can't do anything right and the government always says the private industry is just thinking about itself, all these things. So the truth is, from everything I've seen, is that the cooperation between government and business in terms of trying to minimize the threat of cyber problems, I think, has been magnificent. Basically...

Gregory Edward Abel

Vice Chairman of Non Insurance Business Operations & Director

Yes, excellent point. When it comes to cyber, the collaboration between a variety of U.S. agencies and our individual businesses, it's incredibly strong. Including down to the certain agencies, we'll submit basically a lot of our operating data on a daily basis, where they're helping us go through it to identify if we have bad character, a bad individual who's maybe penetrated into our system. So it's a strong collaboration. And Warren, you're absolutely right. It's is very unique to see how both the industry and the government is working so closely. But I think we both recognize it as such a significant risk, we have to stay strongly aligned on the approach.

Warren E. Buffett
Chairman, CEO & President

It's a real partnership. And we can do better because the government is helping us and the government can do better because we're helping them. And there's no lack of will on either side. And I -- cyber, I mean it blows your mind on sort of nuclear is the number one. But it's a very, very, very low probability. Someday, the sun will burn out too. But there's really no place for 2 countries with large ICBM possibilities and who knows what else in that. But still -- we haven't figured that out yet. It's easy to go around and say this is a solution or that is the solution. But if you have 2 people with loaded guns facing each other and...

Charles Thomas Munger
Executive Vice Chairman

And not everybody is likely to be totally rational.

Warren E. Buffett
Chairman, CEO & President

Well, we see so much irrational -- irrationality in where people's self-interest is involved. They're doing all kinds of things that destroy themselves in terms of how they live their lives. And it doesn't stop with -- if you move up the ladder. People -- some people do terrible things and just have to very much hope that they aren't in a position where they can do it all by themselves with the rest of the world as the supposed price.

Okay. Station 3, will please ask something about motherhood and apple pie or something like that.

Unknown Attendee

Okay. Dear Mr. Buffett and Mr. Munger. My name is Daphne, I'm from NYC, and this is my fifth Annual Shareholders' Meeting.

Warren E. Buffett
Chairman, CEO & President

We appreciate you coming. We do, sincerely.

Unknown Attendee

As you know, for the past 4 consecutive months, we've been going through inflation with an inflation weight north of 7% for the first time since 1982. You both have experienced this before, from 1970 to 1975, at a time where your portfolio took paper losses and yet you made some of the best investment choices of your life. Reflecting on that, my question is, if you had to pick one stop to bet on...

Warren E. Buffett
Chairman, CEO & President

You kind of snuck up on us there for a second.

Unknown Attendee

And be resilient in the inflation, what would you choose? And what specifically enables that stock to do very well and why very likely be a difficult market.

Warren E. Buffett
Chairman, CEO & President

Well, I'll do something even better than that 1 stock. Maybe we'll get to 1 stock. But the best thing you can do is to be exceptionally good at something. You're the best if you're the best doctor in town, if you're the best layer in town, if you're the best whatever it may be, no matter whether people are paying you with $1 zillion or paying to the -- they're going to give you some of what they produce in exchange for what you deliver. And if you've got -- if you're the one they pick out to do any particular activity, saying or play baseball, or their lawyer, whatever it may be, whatever abilities you have can't be taken away from you. They can't actually be inflated away from you.

Somebody else will give you some of the wheat they produce or cotton or whatever it may be, and they will trade you for the skill you have. So the best investment, by far, is anything that develops yourself. And again, not tax. No, so that's what I would do.

Charles Thomas Munger
Executive Vice Chairman

I got some advice for you, too. When you have your own retirement account and your friendly adviser suggests you put all the money into bitcoin, just say, no.

Warren E. Buffett
Chairman, CEO & President

Yes. nobody can take away from you the talent you have. I mean -- and the truth is that the world will always be willing. They'll need to do something and some people will not have skills and they will get less of the product of the society than somebody who has other skills. And sometimes that have something to do with education, but a good bit of the time it doesn't have anything to do with education. I mean it -- but to figure out what you'd like to be and figure out how -- what you'd like to be is what you're going to likely be good at. The world will always need somebody on that tube to tell us what's going on. So study back quicker than somebody and figure out what makes it good and what you sort of naturally bring to the game.

I mean I could have -- who's the guy that said you got to spend 10,000 hours doing this or that. And then Malcolm Gladwell said spend 10,000 hours on something. Well, I could have spent 10,000 hours trying to become a heavyweight boxer. But I don't think I can do software at the end of the 10,000 hours. I mean you stumble in what you really like doing, what you're good at, what is useful to society. And then it doesn't make any difference whether the dollar bill it's now worth in terms of the purchasing power $0.1 or $0.5 or $0.001. If you're the best doctor in town, you will -- they'll bring in chickens, whatever they may do. But they can't take it away from you.

And my guess is that if you've come to 5 meetings, you've got a very good future ahead of you. I mean that shows -- it sells selects. So if you want to sell a piece of yourself, we'll buy that as the best investment we can make. We'll take 10% of your future earnings and we'll give you a cash payment to -- we'll have a terrific asset. And you can have 100% of your future earnings. And if you make -- develop your talent, maybe you'll be a great dancer. People pay money to watch great dancers. We have Fred Astair and his sister, they came from Omaha. Their name was Austerlitz then, but they could dance.

And Adelle did what -- obviously did move to England. And Fred Astair went out to do a whole bunch of other things. And Ginger Rogers had to do it all the same backwards in high heels, and she didn't get paid as much because she was a woman. There's a -- you're going to do just fine. I'll bet a lot of money on you.

Charles Thomas Munger
Executive Vice Chairman

Okay. Becki?

Rebecca K. Amick
Director of Internal Auditing

This question is for Warren and Ajit, and it comes from someone named Modi in Israel, who writes, my family and I are long-term shareholders of Berkshire and we plan to hold it forever. We like that the current management thinks in the long term to increase shareholder intrinsic value. But we aren't sure that at the time of the management change, the new management will act the same way you do. They might take risks in the insurance field where it's hard to find on the balance sheet, and that might take years to realize.

We would like to know how we can assess the insurance risk today and in the future or to know in time when you and Ajit are not here anymore.

Warren E. Buffett
Chairman, CEO & President

Well, I would say that the future for a long time is about as assured as you can have in the world. We don't have an answer for the nuclear problem or anything. But we have a culture that; a, has worked; b, has the shares and the shareholders that will carry it a long way. And the first year -- let's say I die tomorrow. The first year, everybody says, what's going to happen? Are they going to spend all things? You've got the shares held in a place that it can't happen. You've got a Board of Directors that understands that our culture is 99.9% of running the business. They don't think that having meetings of committees and bringing in outside experts or anything like that.

I mean a thing. I mean it's a process of that the world is adopting and they've done it for reasons we understand. But Berkshire is just plain different. We are a business that exists for people that trust us. And all we have to do to fulfill that trust is fairly simple things. We've got the people to do it. We've got unbelievable resources to do it. And it isn't that difficult as long as you've got the freedom essentially to do it. And the world will write stories a year after.

So a year later, what has happened to Berkshire, the rail we run the same way the -- the big worry, of course, is that somebody comes in and figures they can make billions as a group or people would sell the businesses and say it's better to be private or it's better to be pure this or something like that. Well, we're a pure partnership. That's what we're pure at. And we do have what we think is a special relationship with our owners. And I don't think the relationship changes, and the ownership doesn't change that much. And there's nobody can take us over for a long, long time. And by that point, we would hope that maybe the superiority of this culture might be somewhat better understood by the world.

And we will be here. We have the same culture. We'll be here 100 years from now, assuming we happen to have a nuclear change or something. But Berkshire is built forever. There is no finish point. Nobody is waiting to retire or have their options vested or thinking about -- we don't have anybody who's thinking about should I take another job. It just doesn't -- they're doing what they want to do in life. And isn't because we're topping somebody else's offer that headhunters come around and say, we want this person or that person and what will it take to get them? They can't get them.

I mean -- it's -- I don't know whether we could build it again, but we've got it. And we didn't know we were building it exactly when we took everyone -- we have a lousy textile mill. I mean it is like -- Charlie and I sat down and he didn't happen to be in Berkshire, but he was my partner in everything, so we were metal partners. We did set out work out some plan, said, well, we'll run the dumb textile business for 20 years and then we'll finally have to fold it, then we'll do this and that and everything. We just kept putting one foot in front of the other. And but we did -- we didn't know how we felt about running a public company.

And one thing we wanted to do, always, was we want to have people that weren't sync with us. We didn't really want that what I saw in the Flamingo in 1952. We wanted people who trusted us. And we started, my case in a partnership, we started with 7, Charlie started the partnership. This is the same thing. It was -- we did go to institutions and we didn't pay fees to people bringing money or anything like that. We sat down with people, in my case I handed them a little sheet of paper, and it said the ground rules. And I wanted to be sure we were on the same page. I said you don't have to read the partnership agreement. I mean there's no way in the world I would take advantage of you. You shouldn't be here, if you think I did.

But I do want you to be on the same page and measuring me by the same yardsticks I measure myself and those people stayed with me. And they're still, their children, their children's children are shareholder of Berkshire. But they're partners. And it really -- it'd be hard to do that again. But I would do it with whatever -- if I were going to be in the field, I would try and do the same thing. I would try to find people who trust me. And I don't want to be with people who are saying how do you do versus the S&P last month or -- what's your long-short position. I sold securities for 3 years, and it just -- I just didn't want to be in that position where essentially they thought maybe I could do things that I couldn't do.

So I finally found a way to get a few people. I mean I didn't get actually, I stumbled into it. But a few people that trusted me and they just gave me their money, and we've lived happily ever after. So it's -- no management's got them -- well, and the management after them and the management after them, they're just custodians of a culture that's embedded. The owners believe in it. People who work there believe in it. And we're not saying other things can't do better. And sorry, we're just saying this is what we've got. And we have got the directors. We've got the share ownership and all of that to -- and the size that essentially can ward off any attempts to change the culture.

And it's something to talk about our Board members did this and did that. In the end, obviously, we're always going to follow the law. We're a Delaware company, we follow Delaware law. But that doesn't mean that we have to do what every other Delaware corporation does and how they look at the Delaware statue. We will follow the law and then we'll run it as a group of people who trust us, and we appreciate that trust.

Charles Thomas Munger
Executive Vice Chairman

Well, I remember when you had a textile mill and I can...

Warren E. Buffett
Chairman, CEO & President

Forget it.

Charles Thomas Munger
Executive Vice Chairman

The textiles aren't really just congeal electricity the way modern technology works. And the TGA rates were 60% lower than the rates of New England. It was an absolutely hopeless hand, and you had the sense to fold it.

Warren E. Buffett
Chairman, CEO & President

25 years later.

Charles Thomas Munger
Executive Vice Chairman

Well, you didn't pour more money into it.

Warren E. Buffett
Chairman, CEO & President

No, that's right.

Charles Thomas Munger
Executive Vice Chairman

And no, I -- recognizing reality when it's really awful and taking appropriate action just involves often the most elementary good sense. How in the hell did you run a textile mill in New England when your competitors are paying way lower power rates.

Warren E. Buffett
Chairman, CEO & President

I'll say another problem with it. I mean the fellow that I put in the unit was a really good guy. I mean he was 100% honest with me in every way. He was a decent human being and he knew textiles. And if he'd been a jerk, it would have been a lot easier. I would have probably thought differently about it. But we just stumped along for a while, and then we got lucky that [indiscernible] decided to sell his an insurance company, and we did this in that. But I even bought a second textile company in New Hampshire. I mean I don't know how many, 7 or 8 years later. I'm going to talk someone about dumb decisions, maybe after lunch, we'll do it a little.

It is incredible how many dumb decisions we made. Charlie and I bought that -- and Sandy got us and we bought the department store. And that was 1966. And we were working with our own money. And why in the world did we think -- and Charlie flew to Baltimore and -- I mean we used to really work in those days. And there, again, we have wonderful people. Lewis couldn't have been a better guy. But everybody in that business had a different reference point. They wanted to expand their company. Well, who can blame them for that? And they were planning that a couple of new stores in each department, the shoe department said, well, we'll do it better at this time and all that kind of thing. The whole idea was crazy. And we got there for a little while, and we figured it out finally and...

Charles Thomas Munger
Executive Vice Chairman

We reversed scores.

Warren E. Buffett
Chairman, CEO & President

Yes. But why the hell were we doing in the first place?

Charles Thomas Munger
Executive Vice Chairman

Because we were still good.

Warren E. Buffett
Chairman, CEO & President

Yes. Okay. Well, that's important to realize. We paid $6 a share for that stock. And if the department store has succeeded, it might be worth $30 a share now and it failed. So we -- but we did other things and we merged into Berkshire and we'll talk about that a little later. And I don't know whether it's $150,000 a year, an hour or something like that from the $6. So if it exceeded, we would have maybe made a few dollars. And because it failed, we made hundreds of thousands of dollars per share. But that's the way life is. You just keep going and...

Charles Thomas Munger
Executive Vice Chairman

And keep learning. That's the secret. Keep learning.

Warren E. Buffett
Chairman, CEO & President

Keep learning. And you can say, why would it take guys that long to learn? And we only got a few minutes before lunch, we should -- let's address that problem. I did bring something along on that. There have been -- well, I started buying stocks when I was 11. I've been reading every book in the library on it. I loved it. My dad -- it's his business and I get to go on his office, I read the books down there. And I saved the money. And finally, by the time I was 11, I could buy a stock. And I could tell you, at that time, I went to New York Stock Exchange when I was 9. My dad took us to New York, each kid to New York once.

And he took me. I went the New York Stock Exchange. I was in awe of it. I could tell you how the specialist system work and the odd-lot arrangements. And I could tell you the history of finance and all of these things. And then I started -- I got very interesting technical analysis and charter stocks and all kinds of crazy things, hours and hours and hours. And save money to buy other stocks and tried shorting. And I just did everything. And then when I was either 19 or 20, and I can't remember exactly where I did it or something, I picked up a book some place. It wasn't a textbook of school, but it was in Lincoln, Nebraska.

And I looked at this book and I saw 1 paragraph, and it told me I've been doing everything wrong. I just had the whole approach on them. I was in the business of trying to pick stocks that would go up. And in one paragraph, I saw that, that was totally foolish. And I left -- I brought something that -- it's really interesting. Let's put up -- what do we call this chart? Here we are, yes. Let's put up illusion 1. There we have it. If you look at that, some people will see 2 faces. Some people will say a face. And some of that been will live a long time and only 2 faces. But the mine flips from one side to another, and that's some name for that -- they call it ambiguous illusions or something of the sort.

There's other things that talk about, aha moments, or in the old comic strip with Popeye or Wimpy would have a little balloon over head and the light bulb and go on. There's this point where all of a sudden, you see something you haven't seen. Well, it took me -- I had an illusion that I was looking at, we'll say in that one, 2 faces. Let's go to the 1 label, 2. And if you're looking at it from one side, it looks like rabbit. If you look at the other way, it looks like you're looking at a duck.

And the mind is a very funny place. And I think people call it, an apperceptive mass, when you have all kinds of things going on in your mind. And they've gone for years and they sit there and get lost. And then all of a sudden, you see something different than what you were seeing before. Now it took me in stocks, which I was intensely interested in, and I had a decent IQ and I was reading and thinking. And it's important to me to make some money on it. Every motivation in the world. And then I've read a chapter, I read a paragraph actually in chapter 8, I think it was, on the Intelligent Investor. It just -- it told me that I wasn't looking at the duck, I was looking -- now it was the rabbit, whatever it may be.

And what do you call it a light bulb, what do you call an, aha moment, of truth, whatever it may be. And that's happened -- that happened to me in Lincoln. I mean it changed my life. I hadn't read that book, I don't know how long I would have gone on looking for head and shoulders formations and 200-day moving averages in the lot ratios, and a zillion things. And I love that kind of stuff. But it was the wrong stuff I was looking at it. And I've had that happen. And Charlie is out of that, I'm sure. It happens a few times in your life.

And all of a sudden, you see something important that why in the hell did no one see this in the first place. Maybe it's a week ago, maybe it's a year ago, maybe it's 5 years ago, maybe it's learning how to get along with people. I mean whether -- actually, it's better to be kind or not or whether -- I mean they're just learning how you want the world to love you what you have to do or it's -- you know what, when you see it but you didn't see it for 10 years before. And I don't know whether Charlie has got some thoughts on that or not. But that's happened in a few situations in business where I've looked at the company for a decade, and then there's something that just all gets rearranged in your mind.

And you can say, well, why didn't I see this 5 years ago.

But I've had it happen a few times, obviously, and everybody here has. And just in different areas of their lives. And you think, how could I have been so stupid? Well, that's why Charlie, in the law practice, had a partner. Roy told every smart guy that was get in trouble usually would -- it was guys and usually it was with women. And they come into the office and they look down faced and everything, and it seemed like a good idea at the time. I mean -- and their lives unraveled in many cases. So there is that apperceptive mass that's sitting in there inside somehow. And every now and then it produces some insight.

It's better actually if it produces insight into your behavior than whether produces insight to make money. I mean -- and some people never get it. And they wonder whether their kids hate them or whether -- there's no way in the world they would give a damn whether they live or die. In fact, they prefer they die because -- than courting them for their art collection or whatever it may be. It's just -- Charlie would say,just write your obituary and reverse engineer it. And not a crazy idea. But Charlie, I don't know what you apperceptive masses?

Charles Thomas Munger
Executive Vice Chairman

They're optical illusions. Well, I know that that's the way the brain works and it's easy to get it wrong. And part of the trick is to get you correct your own mistakes. And we've done a lot of that, frequently way too late.

Warren E. Buffett
Chairman, CEO & President

We've done better with the mistakes than we have with the reasonably good ideas.

Charles Thomas Munger
Executive Vice Chairman

Well, it's so easy to overdo a good idea. That's what's going on now. You have a lot of good ideas that are being grossly overdone.

Warren E. Buffett
Chairman, CEO & President

Just tell me about one that hasn't been, but tell me later when the crowd isn't listening. I mean that's why...

Charles Thomas Munger
Executive Vice Chairman

But look what happened to Robin Hood, in peak to its trough. Wasn't that pretty obvious something like that was going to happen?

Warren E. Buffett
Chairman, CEO & President

Tell me again...

Charles Thomas Munger
Executive Vice Chairman

Robin, when it came out and went public and got alert, everybody in all the short-term gambling and big commissions and hidden kickbacks and so on and so on. It was disgusting.

Warren E. Buffett
Chairman, CEO & President

Yes. And it says the last year and they got mad at you, and they sold a bunch of their stock and they got the money and...

Charles Thomas Munger
Executive Vice Chairman

Yes, but now they're -- it's somewhat raveling. Gaudy is getting just.

Warren E. Buffett
Chairman, CEO & President

But a lot of the insiders are great, but they've gotten a lot of money from. I mean they were big sellers, as I remember.

Charles Thomas Munger
Executive Vice Chairman

That may be. But yes there's been some justice.

Warren E. Buffett
Chairman, CEO & President

Well, I have to agree with that. Whether it's a good idea to around making enemies of people is another question, which we do. Why is to criticized people at all?

Charles Thomas Munger
Executive Vice Chairman

Probably not, but I can't help it.

Warren E. Buffett
Chairman, CEO & President

Well, and here is the smartest guy, now he's 98 and he hasn't it out yet. So give up. Enjoy. Well, with that, we'll go to lunch, and we'll try to come back wiser at 1:00. And thank you. Thank you. Thank you.
[Break]

Presentation

Unknown Executive

Welcome back. Becki will rejoin me in a minute, but let's recap some of the big news, Warren Buffett, Charlie Munger and the Berkshire Board just made in the morning session, the morning Q&A with shareholders.

A lot to say about the markets, the state of the market. This was a quarter in which Berkshire Hathaway actually turned some aggressive buying of security, some $50 billion in growth purchases. Of course, we knew some of that was going to be in Occidental. They've raised their stake in Chevron.

And it came with out pretty quickly. Really from late February through March, Warren Buffett describing how the market just seem to surface some values because it had gone from a very speculative phase. He spent a lot of time talking about just how speculative the market had been. A gambling parlor over the prior 2 years is the way that Buffett put it. And then in the correction, we got the kind of downside of that and they did manage to, of course, pick up Hewlett Packard shares as well.

Good color also from Warren Buffett about just how he came to acquire Alleghany very quickly. Alleghany Corp. for $11.6 billion after he received an e-mail from his former executive at Genres, now the CEO of Alleghany saying, hey, read my shareholder letter in my first annual report on a Friday. He says, I'll see you in New York. Very soon thereafter, on dinner and it became an $11.6 billion deal.

Also, a couple of shots at crypto from both Charlie Munger and Warren Buffett just describing U.S. currency as the only real money in this country, and Charlie Munger saying don't listen to any wealth adviser, any investment adviser who says you should buy crypto. Another point from Munger was strongly opposing the shareholder proposal to split the roles of Chairman and CEO. It's one of those corporate governance measures that has to be voted on, and he basically says that it's a ridiculous idea, is Charlie Munger's version of that. We did know that the Board was going to oppose those things.

So that was -- most of it from the morning session. Not a whole lot about the economic outlook. Of course, interestingly, Buffett reiterating that he and Charlie have haven't the faintest idea of what the market is going to do on Monday or at any time, and that never filters into Becki, into their decisions as to what to buy, when to buy it, even if they tend to, in retrospect, the decent timing.

Rebecca K. Amick
Director of Internal Auditing

But I will say, look, their actions speak louder than the words this time around. This is what they've always said. The macro doesn't matter, they're not paying attention. And yet, there are times where they will go from spending nothing to spending $40 billion. You showed those numbers that he put up talking about what they were spending at the beginning of February, how that slipped at the end of February into the middle of March. And all of a sudden, you had days where they were putting out $4 billion -- purchasing $4 billion in stock.

Unknown Executive

That's right.

Rebecca K. Amick
Director of Internal Auditing

So they tell you that because I think part of what they're doing here is trying to teach people who are not doing this for their day jobs, who are not experts in this, to kind of sit back and be slow and steady builders over time. But these guys are the best in the business. And they put capital to work when they think that there are shifts in the marketplace, and that can happen anytime.

Unknown Executive

They've been aware of the existence of Hewlett Packard as a stock for 50 years or something, and they bought it only at this moment when the prices came to them and they felt as if there was an opportunity. It's basically the way they characterize. It's one by one, not a market call.

Rebecca K. Amick
Director of Internal Auditing

And I think what the guys are doing, Warren kind of talked about this when he was explaining what they've done with shares of Alleghany. I mean that was a company he said he's been following for decades and decades and decades, and he has 4 file drawers full of all their annual reports that he reads every time. So they can talk about how they're not doing anything. They're just sitting around reading. It's true, but they are reading every report that comes through, every bit of analysis, and they each read several newspapers a day, probably 4 or 5 newspapers a day.

And when you are accumulating that kind of knowledge, it makes you able to decide on a dime that you can plow billions of dollars in something.

Unknown Executive

As they do as one person presses the button on those, as Warren described. Well, let's get to cnbc.com a banking reporter, he's on at CNBC headquarters. Here one point, Warren said, I don't know why our subsidiary companies have bank lines, we can give them the money if they need it. We're better than all the banks. And yet, he's owned and still owns a bunch of banks. I mean what were your maybe principal takeaways from your perspective?

Unknown Attendee

Mike, a couple of takeaways. One, when you look at their investment in banks, what did he do in sort of the March 2020 timeframe? You basically sold off all of the stakes in JPMorgan, Goldman Sachs, in Wells Fargo, which had -- been his, #1 holding a few years earlier. Why is that? And everything that we've seen in terms of the filing so far shows that he hasn't really gone back into the banking sector. With the exception -- the very big exception of Bank of America, which is a huge holding at $45 billion and U.S. Bancorp, which is a lesser holding. So he really wants to focus on U.S. who wants to focus on the very basic nuts and bolts of retail banking. He want to stay away from Wall Street activities, and he has a lot of disdain for Wall Street, as we know in your earlier comments, you guys were talking about how he referred to banks and brokerages just turning the markets into a casino and turning big companies into gambling chips, essentially.

So we know that he has a certain amount of disdain for Wall Street and he's actually focusing on U.S. basic retail banking. And what does that tell you? Not a lot of bullish comments today. And I would argue that what he said today -- what he didn't say today was actually more important than what he did. He didn't talk a lot of bullish signs, about 2022, 2023 in terms of the economy, not a lot of bullish indications there. And that's because you don't really want to own banks ahead of a possible recession when defaults will spike. And I think that's one of the headlines that's sort of that are even behind the headlines today.

Unknown Executive

Right, exactly. It's what's unsaid and what's not done. Maybe, he's saying a fair bit about the outlook there or perhaps, a lot of commitment to energy right now, might just seem like the more timely way to move the portfolio. I guess, Hugh, of course, very familiar line of thinking about critiquing Wall Street and their activity trying to just promote trading activity. And of course, we know why he paid a quirky share price for Allegheny, which is sort of refused to pay the sellers banking fee on top of that.

Unknown Executive

Yes, for sure. And one other headline, I think that we've missed here is, if you look at -- so you guys talked about the $41 billion net purchase of stocks is huge, massive bet on the U.S. economy, on stocks that he has done. What was the timing of that bet? If you look at it, it was all post -- live share of it was post-February '22. And what that really tells you is that the Ukraine war and the dislocation in the markets across the world that sparked was the catalyst for his big purchases.

Unknown Executive

Hugh, thank you very much. We'll check back in with you a little later. We continue to follow all of this. But right now, back here in Omaha, we'd like to welcome perhaps, one of the best known Berkshire shareholders out there, and it's actor and comedian, Bill Murray. Bill, you can't hear -- it's hard to hear, right?

Unknown Attendee

I'm sorry. I'm retarded here? Or what?

Unknown Executive

No, it's hard to hear in here.

Unknown Attendee

Yes, it's hard to hear. This isn't working.

Unknown Executive

Okay. I'll try and yell a little. There's a lot of people who are on the floor here. Perfectly. So I've known you for a long time. You've known Warren for a long time. This is the first time you actually comes to the meeting this time around. And those -- nthe people at home didn't get to see the movie, you were in the movie. You guys did a skit at the end of the movie that I guess, you filmed a couple of weeks here. I want to get into all of your thoughts on the meeting today, why you're here. But before we do, I'd just like to jump in.

You've been in the headlines recently because of a movie you've been working on, Being Mortal. Production was shut down, and this is the first time you're talking. I just wonder, what happened?

Unknown Attendee

Well, there's a difference -- we had a difference of opinion -- had difference of opinion with a woman I'm working with. I did something I thought was funny, and it wasn't taken that way. The company, the movie studio wanted to do the right thing, so they wanted to check it all out, investigated and so they stop the production. But as of now, we're talking and we're trying to make peace with each other. I think that's where the real issue is between our piece. We're both professionals, we like each other's work, we like each other, I think. And if we can't really get along and trust each other, there's no point going further, working together or making the movie as well.

It's been quite an education for me. I've been nothing -- been doing not much else with thinking about it for the last week or 2. And I feel like if I don't see that -- the world is different than it was when I was a little kid. What I always thought was funny as a little kid isn't necessarily the same as what's funny now. Things change and the times change, so it's important for me to figure it out. And I think the most important thing is that it's best for the other person. I thought about it and then figure if it's not best for the other person, it doesn't matter what happens for me. And that's -- that give me a great deal of comfort and relaxation because your brain doesn't operate well when you're in the unknown, when you're thinking like, well, how could I be so -- how can I misperceived? How could I be so inaccurate and so insensitive when you think you're being sensitive to some sensibility that you've had for a long time.

So we're talking about it, we're -- I think we're going to make piece with them, I'm very optimistic about that. You have to be. And I think it's a sad dog that doesn't -- that can't learn anymore. I think that's a really sad puppy. I can't learn anymore. I don't want to be that sad dog and I have no intention of it. What would make me the happiest would be to put my boots on and for both of us to go back into work and be able to trust each other and work at the work that we've both spent a lot of time developing, the skill of it, and hopefully, do something that's good for more than just the 2 of us, but for a whole crew of the people, whole crew of movie makers and the movie studio as well.

Unknown Executive

So you're talking it through right now, you're talking it through with her, you're talking it through with the studio?

Unknown Attendee

Well, not with the studio. Just with her and people that are helping her. So that's the -- first thing is first.

Unknown Executive

That's good to hear. You said you were reflecting on some of the things that you heard today in the meeting, and I take it, it's in relation to some of these things, too?

Unknown Executive

I could not connect it. I mean, I see these 2 brilliant fellows who are most proud in a way of their mistakes. They get -- and it's always been that way in my life, too, that you learn so much more from your mistakes than from your successes. And they see like, oh, everybody is doing the good things, but the hard things and the wrong things are where you really learn something. And I was lucky to be with a bunch of other actors who are ahead of me in the pipeline sort of and I saw the mistakes they made, and that helped me a great deal.

And I know there's people that are behind me in the pipeline that are watching my mistakes going, "Okay, okay. I'm not going to forget that one." This idea of being able to trust people and really, trying to have a long life. I think like -- I feel like sometimes, I feel like I've made a success of myself, but in the real moments, I realize, I don't know anything. I really don't know anything in that there's so much more life -- the life is full of so many moments and so much -- so many emotions and that you can't say, "Oh, that's mine. That's the one I'm going to go with all the way." Because that just puts you in a box and you will make no further progress.

I feel like I've learned more in the last year or 2, than I may have learned in maybe, a whole decade of my life before. I never -- because I wasn't maybe aware it was happening, but just more awareness make more, it just compounds the interest as these get saying.

Unknown Executive

I mean, you sound like you're doing some serious soul searching about this and just in life, in general.

Unknown Attendee

Well, life in general -- and this is kind of a fortunate misfortune where I get to go like, "Okay, how does this really -- how does all of this -- how is it --" I mean, I can't up and look over there and see there's like hundreds of people saying, "What's that knucklehead saying up there? The knucklehead is trying to figure out what to say." I think that this misfortunate fortune is the kind of thing that I really want, the real person wants and that I have to treasure, I have to really value. And not to go hide out or cover myself up somehow is not the right choice.

Unknown Executive

All right. Let's talk about why you're here to begin with. You've known Warren for several years now. Gotten to know him and you've spent some time with them. I think you were a Berkshire Hathaway shareholder long before you met him. How did you get into it?

Unknown Attendee

No, it was just an accident. I happened to go to high school with a kid who's having his memorial service today, passed away, a good friend of mine, Bobby Shriver. And his father was a stockbroker, he became a stockbroker. And all of a sudden, while I was over doing my -- business grew. I said, let's -- he retired. Bob Shriver retired. I said retired, he's like 38 years old. How do they do that? Well, he retired because he took all of his money, all his father's money, all of his money, and he bought Berkshire Hathaway stock, like, 40 years ago. And he just never did anything else but play golf and raise his kids, and they have a good life.

So that's stuck my brain a long time ago. So somehow, I made that connection. Maybe, I should do that, too. It's slow, but I got there eventually.

Unknown Executive

How long have you been at Berkshire?

Unknown Attendee

I don't even know. I couldn't tell you. I don't know the answer. But it's Saturday, that's part of the reason. I'm not really good on the days. You got me from Saturday, I can go back to the week, the month, the year, but that's -- it's going to take the rest of the morning.

Unknown Executive

What do these guys convey to you? Just -- I mean, they're here, and they're reiterating a lot of the stuff that they've been saying forever. I was talking to somebody last night who was on the stock for a long time, and he said, "What do you want to hear from them?" And they said, "Well, you don't go to church hoping to hear about an 11th commandment. You kind of go for a reiteration or an articulation, reminder of things." I mean, what do you hear from them this morning?

Unknown Attendee

Well, that's well said. It's a remind me of what I'm supposed to be doing here. And I've listened to Warren talked so many times and I'm thinking, "Great. I'm going to go home tomorrow and do exactly that." And it doesn't appear the next morning. It's not there because it's landing somewhere inside of you, as a reminder. And people say, "Oh, you know Warren Buffett. Are you getting rich?" And I'm -- No, you don't get rich knowing Warren Buffett, but you don't get like this man is rich, but you get you got some sort of wealth of like, a reminder of what's right and what to do.

And everybody says the same sort of thing like you say, Mike, but it's not like they're saying anything that's from outer space. It's not anything that -- they just got a new way of saying -- The thing about Warren that I like so much is, he talks so -- he really does make me laugh. He makes me laugh, like my full body laughs. I found myself just shaking in my chair for a long time after he said something this morning in the [indiscernible], I got it. If I don't stop shaking, this chair is going to move. But it's -- it gives you that feeling that it's in you. You just got to get the other stuff away from you.

What's in you is right. It's in you. Just get the other stuff out of the way.

Unknown Executive

So I want to talk about some of the other things that are out there, too. I mean, you made a new announcement recently about NFTs. And just this idea of tying together NFTs with these Bill Murray moments, these Bill Murray stories that are all over the place, because everybody's got a Bill Murray story. I don't know how many of them are true, but everybody has seen you or had an interaction with you or run into you somewhere. And now, you're developing them as NFTs. How -- this is something you're not just developing. You're taking in part in this blockchain company and you've got a partnership and ownership in that?

Unknown Attendee

Yes. Well, it wasn't really my idea. It was just kind of thing like there's a wave coming, you're going to dive into it or you're going to try to ride it, get dragged over the coral. So my -- a couple of my friends help me saying, "Look, this is kind of in [indiscernible] ability." And you don't -- I don't really -- my life has been kind of fun. I've had a very interesting life, and I've had a lot of moments and hopefully many, many more.

So the idea of making these NFTs, and I don't really truly know what that stands for, but just like little tokens. Instead of having to be like a boring guy and telling your story all the time, get it done once and tell the story, and that -- it's sort of like a little memento. Like, it's -- hey, I don't really have a fan club, I don't have a Twitter account, I don't have any -- I'm not very popular that way. But just to tell kind of a story that's just -- I don't know, I guess it's just a little bit like finding -- I have this picture of finding coins, old coins in the houses being torn down. That's kind of what it is. I feel like, when my house is torn down, maybe, there'll be some old coins of me to leave behind that someone might value.

Unknown Executive

Just tell us one of those. Just because I've heard so many of these stories. Give us one story, a Bill Murray moment that might be going on one of these NFTs.

Unknown Attendee

I don't know. Well, one of my favorite times I ever had was, I went to visit a great friend. And I was very excited to take a long trip across the country, and I had to fly to Oakland, California, which I've never been to before. And I flew to Oakland and I had to go someplace up in Marin County or something like that. And the cab driver picked me up and where -- he start driving. So what are you -- he's kind of young, then what's your deal? And he said, "Well, I'm really a saxophone." So I said, "Really? Where's your sax?" He said, "Well, it's in the trunk." I said, can I see it? He pulls over and we get out -- it's the middle of the night. So late flight's like 10 or 11. You got to have some of my coffee. You look like you've been away..

Unknown Executive

I wish I have a good story behind how I look.

Unknown Attendee

My story may be boring, but you're falling asleep on me here. Come on.

So he pulls over and I said, "Well," -- And I said, "Why don't you -- why don't I drive you? I kind of know where I'm going. Why don't I drive and you play?" So he gets in the back, and he starts playing, and I'm driving this taxi.

Meanwhile, I'm saying, "Did you eat yet?" No, we haven't eaten yet. So I said, "You know what place?" We pull over at some like barbecue place in Oakland and like in the middle of the night. And this cap is blowing his horn, and we're hitting barbecue and I'm eating barbecue, driving the taxi all the way up. And he played all the way and drop me off. And I have greasy fingers and -- it was just a nice -- much better way of sitting in the back trying to stay awake, fall asleep, stay awake, fall asleep, where you from originally. Do you have a saxophone accompaniment? Over the bridges. It was just a nice night.

Unknown Executive

I mean, NFTs, whatever, ultimately, their value are going to be -- it's actually an interesting way to apply it because it's this idea of like, well, this is a [indiscernible] thing that you can verify and memorialize, somehow. And somebody can hold it, like you said. Whether it's going to be -- sell it or not or whatever it's going to be.

In the old days, it was an autograph like, "Hey, look, I met this guy."

Unknown Attendee

Right, right, right. An autograph, sign the picture, selfie, whatever. And it's -- if it has something -- If I have has value to someone else, that's great. It doesn't have any value to anyone else, that's going to be okay, too. For me, I'm going to be fine either way.

Unknown Executive

Although, part of the greatness is the mystery of not knowing which of these stores are true and which are not. Are you going to verify every one? Or is this going to be picking and choose?

Unknown Attendee

Well, they started asking me about a couple of them. And I said, "Well, that's kind of the story, but it's a little better than that or worse than that." If I can make it better, I make it better. If it's kind of -- if it's completely like really mysterious, I go, "Well, I kind of like the story as it is. I'm not going to --" Someone told that story, and that's their story.

Unknown Executive

I want to ask you just about what's happening in the entertainment industry right now. We watch Netflix shares collapse recently. They went from these extraordinarily high levels at like $700. They're all the way down under $200, maybe, $190 or something. And there is now this talk that's going around. If you talk to some people in the content business where they say, "Hey, maybe, this golden era of being -- anybody being able to write a script and get money for it, it could have passed if you see the stock market valuations come down like that." Do you think the best days of content and being able to get paid for some of these things have just gone by the wayside, given what the market is doing?

Unknown Attendee

Well, it was a whole different market. It used to be like you're a contract player for a studio, and that's what you did. You did the movies, terrible movies, even -- because they told you too. Then, there was a time when you were the guy and you had to -- you had a great agent and you got your big piece of the action. You got -- you are partners with the studio.

Became less of that, and then people get the -- we're able to sell their own material like they were in this golden Netflix era, call it like this. And it was amazing, because you didn't know who the heck was -- we met some -- I met some people last night, who didn't look like show business people at all, but they were among the most successful around, because they just had good brains, good minds and got in with someone that said, here's -- we can do this together, and they made great partnerships and they made The Walking Dead and Better Call Saul and these things and -- that are all over the world and gigantic.

Now, what's going to happen? The stock valuation going down, these things? I don't -- I never chase like the stock value any of them. I used to be able to know like if a movie studio was going to be -- have a stock rise according to who the guy was running, because if I knew when he was a jerk, I knew they -- I wasn't optimistic. But like when Eisner and Katzenberg took over Disney, I said watch this, and they really make crazy money. And -- so when people are good and they do that. And the guy who runs Netflix, he's a good guy, too. So he had a great success, and he's probably got several new cars, but now, the stock price has gone.

So there'll be something -- what's going to come now. I think the pandemic has obviously compressed a whole lot of things into a short period of time, too, and that's going to change. And I think there's going to -- the whole working from home thing is going to affect the way people make movies. I think it's -- they're going to -- people are going to start making movies with like [indiscernible] laptops ad iPhones. And it's -- who would have thought that it would be a thing like TikTok 10 years ago. I don't predict the future. Well, I thought I had. I'm sorry, the I'm slightly psychic.

Unknown Executive

Well, it's Saturday. So...

Unknown Attendee

Yes, right. Thank you.

Unknown Executive

Bill, I want to thank you so much for being with us today. And we've been friends for a long time. It's great to see you.

Unknown Attendee

Well, thank you. You're part of the reason I got here, because you're organized. And I figure, well, Becki is going to get to us, and say, I can probably get there.

And Mike, I'm very proud of all the hours you're up in the middle of the night. I always look at you and go, that guy has been awake for hours. I woke up too early, and that guy was awake then.

Unknown Executive

He was nervous.

Unknown Attendee

I hope...

Unknown Executive

You were coming.

Unknown Attendee

Well, I hope we catch up and say...

Unknown Executive

On your sleep. Very nice to be with you.

Unknown Executive

So thank you very much for being here. Again, Bill Murray, who is a Berkshire shareholder. He is here, wandering the floors. He was part of the movie this morning, and he's...

Unknown Attendee

I got to go get some peanut brittle. That was -- that's infuriating that, that one guy got all that peanut brittle out there.

Unknown Executive

Charlie has it. Yes, it's right over there. So you can grab some of that on your way out, too.

Unknown Executive

Tons of it, we heard.

Unknown Attendee

Oh, tons of it.

Unknown Executive

All right. One of the areas that Warren Buffett and Charlie Munger were asked about this morning was the timing of the market. In general, how do you time to market if you even try? They both said they were not very good at it, but elaborated on their long-term investment strategy.

Warren E. Buffett
Chairman, CEO & President

We have the faintest idea what the stock market is going to do when it opens on Monday. We never have had. We have never made -- Charlie and I, I don't think, in all the time we worked together, and I'll tell you something later on, maybe, about how learning takes place. But we have never -- I don't think we've ever made a decision where either one of us has either said or been thinking we should buy or sell based on what the market is going to do. Or for that matter, on what the economy is going to do. We don't know.

And the interesting thing is, sometimes, I get some credit, some place for the fact that how wonderful it was that we were optimistic in 2008 when everybody was down on stocks and all that [indiscernible] . We spent a big percentage of our net worth in a very dumb time. I shouldn't say we, it's I. We spent about $15 billion or $16 billion, which was a lot bigger to us then than it is now. We spent it in the last few weeks -- 3 or 4 weeks between Wrigley and Goldman Sachs, generally, at a terrible time. As it turned out, I mean, I didn't think -- I didn't know what it was going to be a good time or a bad one, but it was a really dumb time.

And I wrote an article for the New York Times and [By American] and all these things. Well, if I had any sense of timing and waited 6 months until, I think the law was in March. And in fact, I think I was on CNBC, maybe, that day or something. But I totally missed that opportunity. I totally missed in March of 2020.

We have not been good at timing. We've been reasonably good at figuring out when we were getting enough for our money.

Unknown Executive

Those are just a few of the highlights this morning from Warren Buffett and Charlie Munger in the first half of the question-and-answer period. Of course, when we come back after this lunch break, they'll be taking the stage again. In the meantime, we want to bring in Berkshire -- one Berkshire member, Ron Olson. He's been a director for 25 years here. And Ron, we're finally back in person after 3 years of being away. First of all, what's it like to be here? What are some of the highlights you've taken away from what you heard this morning?

Ronald L. Olson
Director

The excitement that you see on the floor. The -- Warren and Charlie up there. They've got their candy boxes in front of them, pumping that sugar in, and just as effusive as they've always been 2 better teachers. I do not know. All of that is among the highlights. Their teaching moments would be my highest point since morning.

Unknown Executive

You're not the first person to have said that. That's from what a lot of people are walking away. There are certain reflectiveness from what they are saying today. And by the way, kind of a relaxed, laid-back mode, I think we only asked 7 questions in the morning session. Like, usually, we ask about 50 questions. They have a lot to say, I think, because there's some pent-up things that they've had on their minds and things that they want to get to, too.

Ronald L. Olson
Director

Well, you saw at the end of the movie with the Warren being taken out of bed early 2 years running and being stymied at the door and no one here. This year, he's excited.

But it is a different format. I like the questions that came from the analysts and few journalist in the past. This is giving them more opportunity to express themselves, so we'll see how it goes.

Unknown Executive

Ron, in response to one of the questions about eventually, what comes next, Warren spoke so much about the culture of the company, how it's -- it's going to live on in the manner it's been assembled right now. As a member of the Board, I mean, how is the Board preparing to steer things to support that very idea? I mean, I guess, you'd have to have just the faith that it's in place, and obviously, any change would be slow. But what's the ongoing work that the Board does in that direction?

Ronald L. Olson
Director

Well, I mean, there's no higher obligation for us Board members than protecting and maybe, enhancing the corners, the culture. Certainly, the most important thing we do will be what we did a year ago or announced a year ago. We did it before. At that point in time, if Warren departed, we knew who we were going to appoint. [Gray Abel]. He has all of the culture inside it. And he's been practicing it with the energy company for a lot of years. And by what I mean by the culture is -- well, Warren, referred to it multiple times today. The trust between the shareholders on the floor and Warren and Charlie. They've trusted them with his life saving.

And then they, in turn, have trusted the multiple managers we now have for the subsidiaries for their own self motivation, and self-policing of their ethical conduct, business conduct and in turn, those managers have permeated their organizations, their employees with the same kind of trust. We will be on the lookout and protect that trust.

Another part of it, from my perspective, is these guys are fiercely, fiercely -- and I mean, these guys, Warren and Charlie, anti-bureaucratic and we'll be policing that. I could go on and give you a couple of other examples, but our job is to protect that. And we've lost 3 important members of our Board. What I call them? Iconic, each one of them. One created a media company, one created a tech company, one took over a modest engineering construction company, made it a worldwide behemoth and along the way, took the leadership in rebuilding the city of Omaha. We think we have replaced them with 3 very able people, starting with the fact that they know, respect and are dedicated to protecting the culture of the company. And by the way, as did the 3 that departed, have a large percentage of their net worth invested in the company like the shareholders.

Unknown Executive

There are some proxy questions that are a little controversial, that are going to come up later today at the vote. And Warren and in particular, Charlie, weighed in on what they think about these proposals, some of them, including one that [CalPERS] is supporting to split the roles of Chairman and CEO and another that CalPERS is withholding their vote for Sue Decker and Meryl Witmer because they want to see more climate change clearly communicated from headquarters. What do you think about it, Ron?

Ronald L. Olson
Director

Well, I kind of identify what Charlie's one word response, idiotic. They think that one theory of corporate governance, in this case, splitting the chair and CEO, should be the right response for all companies is idiotic, in my opinion. You've taken a company that, as I said, have a number of these somewhat peculiar traits that has been increasingly successful for what now, 57 years, and you want to change that system? I don't think so.

So to me, they are -- the effort that is being put into that particular proposal is a waste of time. Certainly, the Board sees it that way. Certainly, Warren and Charlie see it that way. [Gray Abel], successor at any point, Warren steps back, sees it that way. It won't happen.

Unknown Executive

To kind of flesh out a little bit the idea that the culture will endure and things may not change much. I do wonder how it would apply to potential new business opportunities. The story that Warren told today about how the Alleghany deal came about, an e-mail, happenstance, "Hey, check out the shareholder letter I just wrote." And then he says, let's meet in New York, and there's a deal. It's hard to see anybody else being in position to be on the receiving end of those things.

Ronald L. Olson
Director

Things are going to be different, but the company has had a lot to do with providing Warren with those kinds of, as he put it, I guess, accidental communications. I'm not so sure it was all that accidental myself. I know Joe Well, the CEO. There are people -- Well, another example would be Paul Andrews, who Warren spent a lot of time in the report, honoring. They looked at all kinds of ways to sell their company. I'm sure Joe did, and we gave him another 25 days in the coach, but did they want to sell for more money to a private equity company and have it turned over 3 or 4 times, take on a bunch of debt? I don't think so. So I think you've got to credit the company that has been built.

Now, as Warren built on that through the years, he wasn't what he is today 57 years ago. I've been with him a good long time now, 55 years maybe, and he's improved every year since. And he's become better known every year since. And he spent the same amount of time teaching the Berkshire system to whoever would listen and a lot of people with interesting companies, listen.

Unknown Executive

Ron, thanks a lot for the time today. Enjoy the afternoon.

Ronald L. Olson
Director

Glad to do it. Thanks for what you all do.

Unknown Executive

Thanks for being...

Ronald L. Olson
Director

Becki, particularly.

Unknown Executive

Appreciate it.

Becki Amick

Thanks, Ron.

Unknown Executive

All right, Buffett and Munger spoke extensively about -- this morning about Wall Street, and they didn't have much good to say about what they call, the casino culture, Buffett ripped Wall Street for turning the stock market into "a gambling parlor," while Munger took aim at everything from Algos to Day traders. Here's what he had to say.

Charles Thomas Munger
Executive Vice Chairman

It's almost a mean of speculation that we now have. We have computers with algorithms trading against other computers. We got people who have known nothing about stocks being advised by stockholders who know even less.

Warren E. Buffett
Chairman, CEO & President

I understand the commission, though.

Charles Thomas Munger
Executive Vice Chairman

It's just an incredible, crazy situation. And it's weird that we ever got a system where all is equivalent to casino activity is all mixed up with a lot of legitimate long-term investment.

I don't think any wise country would have wanted this outcome. Why would you want your country's stocks to trade on a casino basis to people who are just like the people who play craps and roulette out of the casino? I think it's crazy, but it happened. And it's respectable, not with me, but with other people.

Becki Amick

About what? My hair's cutting my mic. Sorry.

Unknown Executive

And right before the morning session ended, Charlie Munger said that the Robinhood trading app is justly unraveling for its disgusting practices. Tell us what you really think, Charlie, there.

Becki Amick

And I mean, there are some red meat, but I think this one was not even kind of brought into the -- Warren was just talking about mistakes and other things you've seen out there or just looking for examples of where things have gotten a little less crazy and -- Well, too much of a good thing was that, and now, it's here. But you can kind of sense that they both have some things that they'd really like to get off their chests. And I think in the second half of the Q&A, you'll probably hear even more.

Unknown Executive

Yes. It was very clear. It also probably does suggest something that in the 2 years that they have not been doing this, have been 2 of the wild this year in terms of retail investor activity, the meme stock craze. Warren even mentioned that in the prior 2 years, the casino element of Wall Street, which had always been there, seem to really come a little more to the floor. So it seems like, yes, they've filled up.

Becki Amick

Well, the difference is that we used to talk to Warren for 3 hours at a time, several times a year. He's not doing that anymore. He hasn't sat down with us and had a long conversation since last May. So these are things he probably would have addressed over the course of the year, but not having the chance to talk about the market, to talk about the Fed, to talk about the things that they're seeing. I just think they have a lot more to say in this year.

Unknown Executive

Yes. And in the meantime, Robinhood went from $70 to $10 a share or something like that.

Becki Amick

Duly noted by Charlie.

Unknown Executive

We've been paying attention, for sure.

Meantime, paint company, Benjamin Moore has been a Berkshire company for 22 years, and it's dealing not only with supply chain issues and a tight labor market, but also, a record run in housing and home improvement [indiscernible] but more on how it navigates the economy, let's bring in Dan Calkins. He's Benjamin Moore President and CEO. Dan good to see you.

Unknown Attendee

Good to see you. Thank you for having me.

Unknown Executive

Yes, so a lot of great longer-term underlying trends, probably, and then, some tough challenges in terms of operations here. We see things like your publicly traded peers like Sherwin-Williams talking about volume's still good, pricing is still good, but maybe, tough on the supply chain. Where does it shake out for you?

Unknown Attendee

Yes, it's similar. We've been on quite a run. We've had 10 consecutive quarters of record numbers starting in late '19, and we decided to expand our distribution network, which was very helpful, not knowing a pandemic was going to happen. People are going to be staying home and painting their houses, changing their bedrooms to their offices or their basements, whatever the case may be. So we were very fortunate that we made that decision to expand at a time when more and more people were painting, particularly on the DIY side.

The interesting thing is that our biggest customer is still the professional contractor. And in 2020, people were not letting them in their homes. So we had this rise in DIY, which thank goodness. At the same time, our contractor customers were seeing less business.

Fortunately, 2021, DIY stayed strong and contractors has switched it back on. So we've had a very, very strong run. Our retailers, our employees work in a very difficult environment. It's been great.

Becki Amick

And has there been any pullback in the most recent months, the last few months? I asked only because a lot of the other managers we've spoken with here who are on the consumer-facing side, said, yes, it's cooled down a little bit the last few months, and it's just because the consumer is a little more tight squeeze inflation.

Unknown Attendee

Yes. Our first quarter this year was our largest first quarter in the 140-year history of Benjamin Moore. So we didn't see a lot in the first quarter towards the end of the quarter in April, definitely a little bit softer, but still, very strong. Our biggest challenge is still the raw material side of things. It's very choppy. We're on allocations with some of our large suppliers where you have a contract, but they go force majeure and then you deal with what they allocate.

And so it's typical, but we're persevering. We've -- and a lot of people's minds have outperformed our peer group with supply. And so it's benefited Benjamin Moore greatly.

Unknown Executive

There's an unusual number of homes that have been started and not finished -- under construction. And I guess, that talks to some of the bottlenecks in various parts of the building market. Is any of that related to paint coatings and things like that? Or is it...

Unknown Attendee

Paint, really, isn't holding things up. It's bigger projects, like -- the bigger products going into the home building. We definitely have shortages, but we still have plenty of paint to get a house done. Our shortages aren't some of our more specialty-type products where they're using differentiating additives and things that aren't typical wall paint or ceiling pain. It's more of our specialty-type products. So we're in really good shape.

Our inventory was extremely low at the end of November. And we're almost back to where we would historically be this time of year. We're not quite there yet, but very, very close. Our team worked extremely hard over the winter months, rebuilding it. With main ingredients, things did start to free up late last year and in the early part of this year. So it has benefited us.

Becki Amick

And the other issue I know a lot of companies are facing is just the labor shortage. What's it like getting people to work for you at this point?

Unknown Attendee

It's very difficult. We have 5 manufacturing plants in the United States. It's the only place we manufacture, and we have 81 openings right now in those 5 manufacturing plants. So again, you try to run a third shift at a paint manufacturing plant, might have 27 people on a third shift. You have 5 openings on the third shift. It gets difficult to get things done. And we're -- we've tried all kinds of different approaches. We've got a lot of good advice on different ways to recruit. It's just difficult out there to find people. We have 19 distribution centers, we have quite a few openings there as well. And so it's definitely a challenge and that does slow us down.

Becki Amick

How much have you upped wages? Because those people say, "Oh, if it's hard to get people just pay them more"

Unknown Attendee

Yes. And we have, and we keep waiting for that invisible hand of Adam Smith to step in and help us. But we've absolutely raised wages, noticeably, for all -- particularly our wage and hour, so -- and that you have to do to compete. The other companies are out there doing it, and we've done lots of it.

Unknown Executive

Talk about being within the Berkshire portfolio and what it means in terms of operating a business. I know there are other building-related subsidiaries, of course. I don't know if there's direct sort of synergies or if it's more just about approach and longer-term strategy.

Unknown Attendee

We do have some groups that get together from time to time, whether it's HR, legal, procurement, talk about opportunities for the companies, but it's not a mandate from Berkshire. It's more opt in if you believe that could be beneficial to your organization. And we believe we can learn from others. So more often than that, we're opting in where we can take advantage of all these other great companies that are part of the Berkshire portfolio. So it works very well for us.

Unknown Executive

All right, Dan, it's great to see you.

Unknown Attendee

Thank you. Thank you very much for having me.

Unknown Executive

Appreciate it. Berkshire subsidiary, Clayton Homes, unveiling its first net 0 electricity home here in Omaha, price just under $229,000 and you can compare that to the median price of an existing home, sitting at a record high of a little more than $375,000. And incredibly, all of the scraps from building this net 0 home fit into a single trash can. Becki, Warren Buffett and Kevin Clayton, CEO of Clayton Homes, toward this model home here in the exhibition hall, Clayton Homes is working to fix the housing shortage.

Unknown Attendee

Manufactured housing have been working on a new class of homes, CrossMod. And CrossMod means it's built to the same aesthetics and features as a traditional site-built home.

Becki Amick

You would never guess that.

Unknown Attendee

Right. So you shouldn't penalize it just because it's built in doors like aircraft and automobiles are.

So now, Fannie, Freddie and FHA Title II will finance it on par with traditional site-built houses.

Warren E. Buffett
Chairman, CEO & President

That's only been the big problem.

Unknown Attendee

But the thing that they -- we need their help on is on the appraisal side. They left the language to say they may appraise it against the site built. We need them to change that word to the must appraise it against another cross motor, a traditional site built home, and we just met with the Deputy Secretary [indiscernible], I think they're moving in that direction. But that one change, we think, could really double the number of affordable homes in America below $300,000.

Becki Amick

So how many are there right now, just in terms of how many of these homes are available across the country? And what do you think gives...

Unknown Attendee

As soon as the consumers learn that there's not an appraisal issue and they can get traditional financing. I mean, the demand will come quickly through all of our homes...

Warren E. Buffett
Chairman, CEO & President

About what 5 or 6 plants would be dedicated to making us...

Unknown Attendee

Really, about half of our 40 homebuilding facilities can build CrossMod currently. So that's a slight language change. The average site-built homes over $0.5 million, $523,000. The bad news is now in March, there's only 16% of the new homes build are below $300,000. So we think this is really -- can really help.

Becki Amick

What do you see right now just with mortgage prices starting to increase? Does that hurt demand at all at this point? Or is the consumer still...

Unknown Attendee

[indiscernible] Getting hurt from every -- the cost of living, being able to qualify for homes, that's why we think getting energy costs down, and then -- now with so few homes affordable, that's why this is even more important.

Becki Amick

So how long does it take to put it together? What is...

Unknown Attendee

Really, only about a week on your side. So while we're building it in indoor climate control environment, you'll be getting the site ready, and we'll help with all of that. So it's a really quick process. Now, the -- from the time you order the home, it may take a couple of months for us to get it through the production.

Unknown Executive

How many a day, though, can we turn out when we -- if we -- everything breaks our way?

Unknown Attendee

We're -- Well, let's say, we're -- a few hundred a day. So yes. Really, the timing is right for [indiscernible] to make that change on the appraisal language and just -- all homebuilders are trying to innovate right now, including us, but building in doors, more and more things will be built off-site and on-site and the blending of the 2 is how we start really innovating homebuilding.

Becki Amick

How quickly do you think they could get the language change and [indiscernible] ? Is there something that could happen to...

Unknown Attendee

It does not take legislative legal bank. It's matter -- it's something they can do with them on their own. So I think it could happen.

Becki Amick

But what have you seen just in terms of demand for these houses over the last couple of years? And where...

Unknown Attendee

Manufactured housing is still stuck at 10 -- 9% or 10% of all new single-family housing starts. And the reason is because of that discriminatory action on the financing, Zoning and that's why CrossMod created, because now, we're having great success now with Zoning. Because when they see this, they go, "Yes, we need affordable housing, and we're fine."

Unknown Executive

Warren Buffet upping his stake in Chevron. It's now Berkshire's fourth largest holding, it's climbed more than 35% in price this year as oil prices surged. Let's break into cnbc.com markets and investing reporter, [Hyun Lee] to talk more about that. Good to see you.

Unknown Attendee

Yes, good to see you, too.

Unknown Executive

So we have some news on some fresh activity, Berkshire, in the first quarter. Put it in perspective for us. For...

Unknown Attendee

Yes. Buffett has been really active. So he bought more than $50 billion worth of shares in the first quarter. And this is very significant because he had been a net seller of stocks for 5 straight quarters, all throughout 2021. Now, he's back in the market, picking the bargains and Chevron was one of his biggest bets in the first quarter. And I think, it makes a lot of sense. Energy has been a standout winner this year and oil stocks are a good inflation hedge, and then, they also paid a really good dividend.

Unknown Executive

Absolutely. Yes. He has liked it before. He's added a lot to it. Stick with us here. We actually have Becki out on the floor with the CEO of See's Candies for the moment.

Becki Amick

Here we go. Hey Mike, thanks very much. We're out on the floor. There's a lot of people around. And we're joined right now by Pat Egan, who is here with us, with -- CEO of Sees. Sorry. [indiscernible]

Pat, let's talk a little bit. First of all, Warren mentioned that you brought how many tons of candy?

Unknown Attendee

11 tons. Just shy of 11 tons.

Becki Amick

I thought that's what he said. How much was gone already?

Unknown Attendee

Well, about half, actually. So we sold more yesterday by about 50% than we sold on the first day in 2019. So sales are definitely up. People need their Sees.

Becki Amick

Yes. I mean, is it more people coming for it? Or just people are buying a lot more when they're there?

Unknown Attendee

Both. Both. We've actually had -- we've had the transactions actually went up, and the amount that people are buying each time has definitely gone up.

Becki Amick

Okay. Let's talk. First of all, what is this? Like open chocolates all..

Unknown Attendee

This is what we call our custom mix. So one of the beautiful things about Sees is we don't add preservatives. But if you look at Charlie, currently, we are a preservative. So -- but we actually do what's called the custom mix box. And so for this show this year, we've allowed people to come in, grab a 0.5 pound box and put in their own particular mix of candies, which is fantastic and they've loved it. So we've got a couple of hundred people -- sorry. We've got a couple of hundred people that are coming through and packing their own See's Candies.

Becki Amick

And it smells like chocolate. It's like kind of wafting through this entire area.

Unknown Attendee

I mean, that's nut and butter and all the same...

Becki Amick

It does. Okay. So it's a long week in here, but let's talk about some of the issues that you're actually seeing with the consumers right now. Consumer has been so flush all through the pandemic. They didn't have anywhere to go, so they were buying stuff. How much did that help Sees?

Unknown Attendee

It helped us. Well, I think that and the fact that we're fantastic. We had our best year ever. 2021 was great. 2020, not so good. 2021 was our best year by a lot. So about 26% growth on the top line relative to 2019, and we're seeing the same -- we're continuing to grow through 2020. So we feel good about the back end of the year.

Becki Amick

One of the things everybody talks about those is inflation. How much more it costs to make the things that you make? What has gone up in terms of sugar cost, everything else that doesn't...

Unknown Attendee

Sugar has gone up a little bit. We -- our procurement team does a very good job in buying in the forward market. So the paperboard that we've got, the materials that we've got for packaging, we buy those on the forward market, and we've been able to manage through fairly well. And almost all of our suppliers are domestic, so we've been able to avoid a lot of those container costs that we will get, it's a very big deal.

And we've been doing this -- Challenge Butter. We've been doing business with since our third year in operations, so 98 years with the same dairy. And so we have those long-term relationships that we lean into.

Becki Amick

So your cost structure has not gone up like everybody else?

Unknown Attendee

Well, it's gone up.

Becki Amick

How much?

Unknown Attendee

It's gone up. It depends on the economy...

Becki Amick

If you included labor, if you include everything, like just how much you're -- all of everything is?

Unknown Attendee

All in, in the 15% to 20% range year-over-year.

Becki Amick

Are you able to pass those costs on to the consumer?

Unknown Attendee

We do, but we definitely know. Our attitude is we've been around for 100 years, and we're going to be around for another 100 years. So whatever we're dealing with right now, we will get to the other side of. But last year, our top and our bottom line had our best year ever, and we feel like we'll be able to continue that this year.

Becki Amick

How much of this -- or purchase that are being done in the store, how much of it is people buying and how they get shipped to them like ?

Unknown Attendee

So we have -- you mean, through our e-commerce?

Becki Amick

Yes.

Unknown Attendee

So our e-commerce business has actually grown. A couple of years ago, it was in the 10% range. We're coming up on 15% to 20% now. In 2019, we packaged -- we shipped about 1 million packages last year, about 2 million packages. So in 2 years, we've virtually doubled the e-commerce.

Becki Amick

Is that because of the e-commerce situation? I mean, is that because of the pandemic? And do you think that people are now sticking with those trends that they picked up...

Unknown Attendee

A little bit of that Becki, absolutely. A little bit of that. But we also have a wonderful marketing team. We very purposely, our fastest growing demographic for the 18 to 35-year-olds now. We worked very hard to make sure we're a nostalgia brand, but we don't have to be all about nostalgia. We're trying to bring new people to the brand. I kind of feel like I'm an evangelist for this wonderful brand. I feel bad for people that don't know Sees. And so we're working very hard to put our best foot forward with new customers.

Becki Amick

You seem pretty laid back and unconcerned about things. What is the biggest issue you have to deal with? What's the biggest headache?

Unknown Attendee

Well, personnel. Just hiring, the labor market that we're in right now, unlike anything anybody has ever seen really, I think. We have -- virtually, everybody is being recruited for something else. But the beautiful thing that we've got is, our job is to make people happy. I mean, truly, it sounds great, but that's how we view it. And so we have shop managers who have been with us 10, 20, 30 years, same in our production facility. So when you come to Sees, just like customers, when you come to work for Sees, you stay.

Becki Amick

I want to thank you very much for your time and for showing us around. And are you going to notice if I steal a piece candy on my way out?

Unknown Attendee

Becki you can pack the whole box of want.

Becki Amick

No, I'm not going to do that. Maybe just one for the.. Well, Pat, thanks very much. Mike, we're going to send things back over to you.

Unknown Executive

All right, Beck. Thank you very much. Still here with Hyun Lee, cnbc. com. So we talked about the Chevron state. Whether intended or not, it really does orient the portfolio a lot more towards energy, right? With the Occidental state...

Unknown Attendee

It's very consistent with the Occidental [indiscernible] , which he also added recently. And earlier in the arena, I thought it was that Buffett explain to shareholders how he was able to pick up 14% of OXY in just 2 weeks. He actually said it was because of the speculative trading activity in this gambling mentality. So OXY sold off a little bit earlier this year. There was -- There were a lot of outstanding shares in the open market, and he was able to swoop in and pick up a lot of stock.

And as the savvy and nimble value investor that he is, he is taking advantage of this trading, maybe, on Wall Street for bargains for the long term.

Unknown Executive

Yes. And clearly, it's not specifically a bet on oil prices. He wants to own these businesses. You think they're well valued right now. And of course, I guess, maybe, one thing he didn't do -- although we don't know everything that was bought, right, in the quarter. And he did allude in response to a question to -- so 3 German securities he bought or a $5 billion worth of purchases overseas.

Unknown Attendee

Right. They haven't been disclosed yet. We'll wait and see. And I'm also interested if they will be asked about China. under Munger's influence, Buffett invested in Chinese EV company, BYD a decade ago, and that turned out to be a very lucrative bet. But given today's political climate and the COVID situation in China, I wonder if their outlook has changed in any way.

Unknown Executive

Yes. That's absolutely worth hearing. And I guess, one thing we haven't heard is just any new energy in the direction of financial holdings, right?

Unknown Attendee

Right.

Unknown Executive

Which just kind of let them sit where they have been.

Unknown Attendee

Yes. And Bank of America is probably -- it's one of the only big bank holdings they have. Yes. And then there are kind of barbell between tech and energy at this point.

Unknown Executive

Yes. Of course, with the Hewlett-Packard purchase as well. Tech, consumer products...

Unknown Attendee

Yes. It's very consumer -- it's a tech company, but it's an old-school consumer heavy tech company. And one analyst pointed out that it could be a bet on the hybrid work environment that we're having in this pandemic. Because HP, they sell printers, and headset, PCs, very essential to working from home, so it could be a bet on the hybrid work model, which I thought was very interesting.

Unknown Executive

And I guess, I bet the printing is not going to go away any time soon. So despite predictions. Hyun, thank you very much. Talk to you later again.

Meanwhile, Berkshire Automotive is one of the largest dealership groups in America with 100 franchises in 10 states. It was acquired by Berkshire in 2015, CEO, Jeff Rocker, told Becki about how inflation is impacting his business. Here's what he said.

Unknown Attendee

But certainly, there's been inflation. Let's start on new cars. Some of that is just consumer preference, driving them to larger SUVs, trucks, driving them to vehicles with more content. So there's value there for the consumer. Obviously, with the extreme and prolonged shortage of new cars, the value of preowned vehicles has increased significantly. And while it has moderated here recently, it's still about 30% higher than it would have been just a year ago.

And there's a silver lining to that cloud or what you might perceive as a cloud, consumers have more trade equity. When they come in to trade that vehicle than they've ever had. In fact, the average trade equity is over $9,600 now. That's effectively a down payment that helps that consumer lower their monthly payment, and it's all about a month payments in our industry when it comes to the consumer.

So far, the consumer has been very resilient in our industry. Again, we're going to watch inflation. We're going to watch interest rates. Those are real, but we think that there's plenty of pent-up demand because we haven't been able to meet demand because of the supply shortage that should provide strength in our sector, really, for years to come.

Unknown Executive

April was the worst month for the NASDAQ since 2008. In the down meantime fell nearly 5%, while the S&P dropped about 10%. Despite those drops, our next guests says some areas of the market do still look undervalued. Let's bring in Ariel Global Equity, CIO and Portfolio Manager, Rupal Bhansali. Rupal, great to see you.

Unknown Attendee

Nice to be here.

Unknown Executive

You sat through the morning, you've been to other Berkshire meetings. What are your key takeaways from what you heard in the first session?

Unknown Attendee

Well, as you know, they get wittier and wiser every year. So it's really hard to compress all the things that they said this morning. But I think the subtext of almost every response, including in the letter, is about risk management. I think a lot of people think investing is about return management, how much money can you make and the emphasis that they are putting on not making losses, not avoiding -- and avoiding big mistakes. The errors of omission, rather than errors of commission, I think that to me was the biggest takeaway that they are talking so much more about risk management.

Unknown Executive

Warren started by talking about how averse he is, visually to losing people's money, absolutely. Now, obviously, an interesting moment for markets in general as we get together here, not just the fact that you've had this correction, but what's going on in the economy, inflation-wise and around the world? How are you thinking about things? Where are you finding some values at the moment?

Unknown Attendee

Yes. Well, it's slim pickings in the U.S., for sure. But abroad, I think there's a lot of opportunity, especially in markets that sold off well before the U.S. markets sold off and quite materially. And those 2 areas are China, which is the first one to enter a Bay market last year. And Latin America, Brazil, Peru, Chile. And so I think with commodities having such a big boom, a lot of people are trying to own commodities directly, which I think can be a risky move. And being a risk-aware investor myself, I think vicariously, by owning certain financials, say, in Credicorp, in Peru, which is a leading bank, or

BB Seguridade, which is a Brazilian banassurance company making great returns, that may be a better way to play the commodity boom going on in the world.

Unknown Executive

Anything you would be listening for in the session this afternoon from them? I think you had a question about the idea of buying full businesses outside the country. I say they're open to it, but it just doesn't -- hasn't really come along too recently. But what would you like to hear?

Unknown Executive

Well, I'm happy to take some of that money to manage because I have invested abroad for many, many decades. And I think it is harder to find opportunity internationally because the accounting can be different, the communication can be different, the disclosures can be different. But it's an art of figuring out what you need to know. So for example, one of the biggest opportunities in the world today is investing in next-generation technologies. Not necessarily in technology, which I think is quite overvalued in the Nasdaq, but in technologies. And the biggest thing ahead of us is big data and artificial intelligence. And in that arena, the very nature of big data means you need lots of it. And the one country that has lots of it is China. Big Data is really there. You've got 1.6 billion people, and you can collect data with a lot of freedom. And I think the application of the data in things like autonomous driving, where China is a leader, so I think those are the kinds of things that are available more abroad than in America. And we'd be well advised to look for them. Baidu is a good ADR and local stock in Hong Kong, that is a play on this kind of investment opportunity and very undervalued, have sold off with the whole Internet section in China.

Unknown Executive

Sure has. Yes. We are less than a minute from going back to that second session. Berkshire Hathaway, does it present value at these levels?

Unknown Executive

I would say that there is better value that I can find abroad. But nonetheless, I own the stock because I think you don't own stocks just for their upside potential. You can also own them for their downside protection. And as you know, Berkshire Hathaway exemplifies margin of safety and downside protection. So yes, there's a role for it to play.

Unknown Executive

Not too many, what, it's still AAA rated or?

Unknown Executive

Absolutely yes.

Unknown Executive

Yes. So you have all the attributes of a cushion and [indiscernible] . Thank you very much. Appreciate it. Buffett and Munger are retaking the stage for shareholder questions in just a moment. We have our Houston back at headquarters to chat a little more. Hugh, we talked about how they went after the Wall Street speculative fever of the last couple of years, also didn't have nice things to say about crypto in the first session.

Unknown Executive

Yes. I know Warren Buffett is famously referred to Bitcoins as rat poison, rat poison square, that type of thing. Either, there were some more vague comments about basically.

Unknown Executive

Right. These guys are prompt. They went right back on the stage for the afternoon session. We're going to go right there with Beck.

Charles Thomas Munger
Executive Vice Chairman

In the first half. So we'll try and move a little faster. I can't imagine why it went that slowly. I mean who's doing all that talking? Okay. Station 4.

Unknown Shareholder

Morning, Charlie. I'm Jeff Boyd, a shareholder from San Francisco. In recent years, American companies have taken on a more active role in the political realm, whether it is speaking out against specific bills, or promoting various social causes, often at the behest of shareholder or employee groups. While the goals of these movements can be laudable, they risk alienating significant portions of customer and employee bases. How should CEOs decide which issues to take a sense on or whether their companies should engage in the political realm at all? Thank you.

Warren E. Buffett
Chairman, CEO & President

That's a terrific question. And that is one, obviously, I've had to think about plenty. And at one point, I said, I don't put my citizenship in a blind trust. I want to take the job as CEO of Berkshire. But I've also learned that you're going to make a whole lot more people sustainably mad than you can make temporarily happy by speaking on any subject. And on certain subjects, they will take it out on our companies. That means that the people would -- are employed by us. Some of them we would end up living goal. It means that the shareholders get hurt. And do I really think that so important that I talk on every possible subject that people can get very upset about, whether they should be asked to pay that price. And I've come to conclusion the answer is no. Why in the world do I want to hurt the people in the other room that do all kinds of things for Berkshire? Why do I want to hurt you because I say something that 20% of the country is going to instantly disagree with, and sometimes, they will be so upset about is that they will try and take it out.

And since they can't scream at me, they'll -- they may have campaigns against the companies or anything else. So I think that suffice to me, I'm not going to go around and take positions where instead of saying, Warren Buffett says, it will be we'll say, Berkshire Hathaway or Warren Buffet of Berkshire Hathaway, I get it, identified. And I do not want to make the lives of you, decided I'm not going to be doing that. If I want to do that, I should quit my job and I think my citizenship speaking out is that important. I'll give up what I love the most, which is having this job. I don't want to do that. So I've decidedly backed off. I don't want to say anything that will get attributed basically to Berkshire and have somebody else bear the consequences of what I talk about. So that's where I stand. And I can tell you that at most companies -- or many hasn't, but the great many companies, the CEOs, they have to think about what their Board says to them. And they made a point of electing people to their boards because it's socially acceptable who represent different consistency sometimes very strongly. And if they think they're stakeholders for this group and that group and that group, they're going to -- they'll get pressured by their boards to take positions. And it's just the territory that we don't -- we're not going to get into either. Charlie, how do you feel about that?

Charles Thomas Munger
Executive Vice Chairman

Well, I -- even more than you have to be very careful about what I say.

Warren E. Buffett
Chairman, CEO & President

And the difference between the two of us is I can't resist saying a little more. But it -- I see headlines in papers just time after time after time that say, Buffet's buying and such and such. Well, I'm not buying such and such, Berkshire Hathaway is buying it. And it may be the work of 2 other people that work at Berkshire. And the people who like the articles don't have the faintest idea whether it was my -- at my instigation or what I've even never heard of it. And -- but the headline says, the headline will attract more people if it says Buffet buying this. And if it says Berkshire Hathaway, and we don't know whether it's the people that work for them or -- the headline has decided to bring people into the story. So it's -- the confusion is shareable. And the easiest thing to do is to basically shut up and not have a bunch of people have facing consequences that they didn't ask for in the first place. So with that, I'm glad you asked that question. That is a good question. And I probably thought more about that question than I think about whether the stock or that stock is cheap. But -- and with that, we'll go to -- I don't see that with Station 4. We'll go back to Becki.

Becki Amick

On that note, let's go to a question from David Kass. He writes in, President Biden's fiscal 2023 budget request would impose a 20% minimum tax on the unrealized capital gains for households worth at least $100 million. What are your views on this issue? And if you don't want to answer, maybe Charlie does.

Warren E. Buffett
Chairman, CEO & President

And we should be all honest, we should both say that we would be affected by -- $100 million, we'd both be affected. So our point of view is -- and I have no point of view. Charlie? I have no point of view that I would want a tribute to.

Charles Thomas Munger
Executive Vice Chairman

I tend to stay out of the income tax things. I guess my policy as I pay whatever taxes they pass. And I don't want to engage in lobbying about taxes.

Warren E. Buffett
Chairman, CEO & President

And I would add one thing. Lobbying is really distasteful. I once did it for a candidate. I ended up in a room with a bunch of lobbyists for cigarette companies, they didn't care about in Nebraska. They didn't care about it. They just were there because they were there because they were handing over a contribution. I didn't -- and I was a convenient accessory. And it made you want to throw up, basically. On the other hand, we operate in the railroad business, energy business, insurance business and they're extensively regulated. And I don't also want to be the only railroad that stays out of the railroad group. Only the only insurance company says, the insurance group, other people can rightly figure that we're a free rider under those circumstances. So I tell the managers generally, don't spend Berkshire's money on candidates that you like. Don't pressure suppliers to do what -- I mean, Berkshire is not a weapon to use, and it's been used by certain people in the organization.

But don't use it to muscle money out of anybody else for who you like or what school your wife went to or whatever it may be. And some of it goes on anyway. But I don't tell our people that don't go on to any trade associations. Charlie wrote one of the great letters of all the time. And if you go to search, type in, I think, 1989 Munger savings and loans or something. We resigned from the U.S. Savings and Loan League, I guess it was. And we warned them. We said, we just cannot stand what you're doing to the country and what a bunch of very nice people get together. But they decided it's in the interest of their savings in loan, they get to do this or that. And we warned them and finally, Charlie wrote a letter, which is, like I say, available on search. That's one of the -- should be one of the proudest letters, certainly one of the proudest letters that has ever come out of Berkshire. And he just said we can't stand it anymore, and we're resigning. But that's a very tough thing to do, again. You can't -- it's a tough way to live. This around criticize people we work with and the neighbors. And they're perfectly decent people, but they run into institutions that are doing things that are very distasteful to them.

And we belong, support some of our subsidiaries in energy. And I don't want to find people who are doing it for personal reasons. I mean in that case, they're in trouble. But I don't say they can't do it because I don't want the hands tied if something comes up. And essentially, they're either their competitors within the industry or the industry versus us, we're not going to stand alone and say, well, we're more at least superior does. So you put your money up and buy it. So that's where I end up. Charlie?

Charles Thomas Munger
Executive Vice Chairman

I've got nothing to add.

Warren E. Buffett
Chairman, CEO & President

Okay. never bothers me when I don't have anything to add, but he seems stuck about them. Anyway Becki, did that come from you?

Becki Amick

Yes.

Warren E. Buffett
Chairman, CEO & President

Okay. Then Station 5.

Unknown Attendee

Thank you, Warren and Charlie. My name is [indiscernible] I'm from China and now starting in the unit of Chicago. I really admire you two, especially Charlie, you are my idol since I was a child. And my question is also for Charlie. My question is how to practice the multidisciplinary framework in making investment decisions and in life, like how to make it more practical? Thank you.

Warren E. Buffett
Chairman, CEO & President

Charlie?

Charles Thomas Munger
Executive Vice Chairman

Well, obviously, it helps you to know more than one discipline. There's an old saying that a man who carries only a hammer thinks everything else is a nail. And you make a lot of wrong decisions if you don't have the some command of all the disciplines. That's all I ever said. And -- but you do irritate people terribly when you come into their territory. You say, I'm, multidisciplinary you're the expert, and I know better than you. They hate you for it. I confessed to it. I've done it several times.

Warren E. Buffett
Chairman, CEO & President

And China -- well, a certain degree in they have a culture that, to some extent, revers age. So Charlie has got me beat. I don't even try and compete with them on China. I can't catch them on age. Okay. I'm going to try to though. Let's see. We've got Becki coming next.

Becki Amick

This question comes from Philip King. He writes, in the '70s, you wrote an article entitled "How Inflation Swindles the Equity Investor". You said that stocks cannot keep pace with inflation because companies cannot increase the return on equity. Do you believe that this is still the case?

Warren E. Buffett
Chairman, CEO & President

Yes. Of course, bonds could swindle the equity, do everything. And inflation, I should say, swindles the bond investor too. And they just it swindles the person who keeps their cash under their mattress. It swindles almost everybody. And the problem, if you have a business that doesn't take any capital -- and let's just say the dollar depreciates 90% or something. So things cost 10x as much. It doesn't take any capital, you can charge 10x as much. And you've kept your relative position. But most businesses take some capital. If our utility business, just to say that the dollar worth 1/10 some years hence from now, we have to have 10x the capital investment basically. And we get paid a return on that, but we have forced capital investment, essentially keep them in the same place. And I wrote an article that -- related to that.

And I will tell you a very -- one famous story, which you will all sympathize with. And that I wrote that story for Fortune. And when I finished it, it was about 7,000 words. And Fortune doesn't -- didn't like publishing 7,000 words. And I had my friend, Carol Loomis, explain that to me knowing that I would pay more attention to her than anybody else. But being stubborn and male, I said every word is precious. Then they can either run it or not. So then they sent an editor, a very nice guy, Algoma, and this guy explained to me that just wasn't right to use that many words. And I said, well, that's fine, but if you don't do it, I'll write it some place else. Very disgusting behavior on my part. And then I sent it -- it was beginning to bother me a little. So I sent to my friend Meg at Greenfield.

The Meg was a great, great, great editor at the Washington Post, and we were very, very good friends, wonderful women. And Meg who was tough as nails with most writers, but she was kind of nice. She didn't wanted to -- hurt me too much. So she said I said, "Well Meg, what do you think?" And she said, "Warren -- she says you don't have to tell everything you know in those articles. And it made a point. And so I write that letter. I wrote that article shorter and -- but I'd say more or less the same thing. But you're better off. If you really could have a totally stable unit of monitory use for the next 100 years. It would be better for business and investors in general.

Charlie? No? We will go to Station 6. Inflation. Inflation is -- the question is how much. And the question is whether you can even decide that 2% -- the answer is nobody knows. I mean you do not know and nobody know and -- list all kinds of stuff. But nobody knows what the -- how much inflation there will be over the next 10 years or 20 years or 50 years or next month. And people talk about it all the time because you're interested in knowing the answer to your question. And they don't know the answer, but there are a lot of people that will tell you, I know the answer if they -- if you pay them enough. And other people that will tell you for nothing because I think it enhances their prestige and makes them more valuable and all that. But the answer is they don't know and we don't know either.

The best protection against inflation that still is your own personal earning bar. You play the violin very well, you will do reasonably well during inflation. I'm hit, play it better than other people, people will pay you for doing that, if you -- all kinds of things. So your skills will not be taken away and your money may be. Okay. Station 6. Wait a second. Was that -- Becki next? Becki?

Becki Amick

It's Station 6.

Warren E. Buffett
Chairman, CEO & President

Yes. Station 6. Okay.

Unknown Shareholder

My name is Martin Wiegand. I live in Nashville, Tennessee, Mr. Buffett and Mr. Munger, thank you for your lifetime of teachings and for hosting us back in Omaha this year.

Warren E. Buffett
Chairman, CEO & President

Well, thank you.

Unknown Shareholder

You have mentioned that companies get the shareholders they deserve. And in this year's letter, you mentioned a great satisfaction of yours is working for the individual long-term shareholders. With the growing influence of institutional index funds, how can management teams foster a shareholder culture like the one we have at Berkshire?

Warren E. Buffett
Chairman, CEO & President

Well, fortunately, we have it. We know more about how to keep it than to institute one in. It's very interesting. We have 1,470,000 Class A shares outstanding today, fewer than we had a year ago in there. Those seats are filled. I mean, you are -- the shareholders are in place. We like the group we have. So why in the world, when we got a fixed number of seats, which should we go out and recruit other people to replace you? I mean, the ideal shareholder is the group -- shareholder group we can have is the group we have today.

And why do -- we had a church, we'd want the people to keep coming back week after week after week. If we have limited number of seats, and we had some wonderful parishioners, we would not go out and recruit another 50 or 100 of them and have to throw out since you're a 100 of the ones we already had. We've done -- and every company I know, virtually is wooing new people to come in. And whether they're improving the group they get or not is another -- I mean it strikes us -- that's basically crazy. We don't want anybody different than we have now. And we're not going to get rid of the index one. So we have to get rid of people like you, and we don't want to get rid of people like. I just don't understand why -- if you had a neighborhood and the size of the terrain or whatever it was, it would be such that you could have 10 neighbors, and they were all great neighbors, why in the world would you go out and say to a whole bunch of people going up down the street. Why don't you buy the house of the guy next to me? It is weird, but there's an awful lot of people who make their living by doing that and they never really question.

I would sort of ask any company making analyst presentations every month or something -- which of the present was there you're trying to get rid of basically? Because you're not going to have a -- I hope you're not going to have more shares outstanding at the end of the year than you have now? And am I supposed to get out of a way. So some other fund that is thinking about what your stock is going to do next week replaces me. It is a very, very, very worried situation. And of course, the really crazy process that has developed is people talking to, we'll say, analyst group, the sort of the high priest of finance.

Some companies are doing it more than once a month. We'll just imagine -- if you work for that company, go to work for that company. And every month, people are repeating these things about their company that it's important that we have more services per customer at 6.2% and we got to get to 7% or something like that. And they'd say that month after month after month, it becomes a catechism -- and CEO says it, is there a representative says it and it goes -- how do you go on the next month and say, by the way, we were really wrong and this is what we should be working on.

You don't say that. And it's a terrible problem that the new CEO has coming in after previous CEO, as the important thing to do is to hit your earnings targets. Well, you have to -- he's been meeting them in all probability by cheating from them time to time. And this guy hand you the baton and -- are you going to come out and say, "Well, we've really been cheating a little and it's really counterproductive to the development of the company -- companies not to make earnings projections and just to give you the results as they come rather than making up a few things in the accounting department. They can't do it. You can't. It sounds human nature. And besides you wouldn't get a point to the successor, but you just don't go in and say, we've been perpetuating these and miss that we can always deliver 8% growth or we can do this or do that or the most important thing is this, you can't go in and change that if every month you've been preaching to people that this is what we stand for and just ask another question and carry this message out to the masses to the analysts and all that. And it's a totally destructive quality.

I can within, GAAP accounting, and I can play a lot of games with the numbers. We have never -- we've done a lot of dumb things at Berkshire. We have never told anybody that the number had to be this or that or to change anything. I mean it's just -- once you started, it's all over. You can't quit its in taking $5 out of the cash register. In the first time you take the $5 out you'll say, "Well, I'm going to put it back and then a few times, and you all ever stop. In fact, do it once, you'd probably never stop. But it's something that's going to be destructive thing to do is not to start it. And forecasting earnings, I can't imagine anything more destructive. I got 360,000 people out there, and they know whether I'm lying or not. Good many of them. and they know if they send in figures and they get changed, what message are you telling? We've got one dramatic illustration of that within Berkshire. And it -- it's just -- we want to -- it started with lying, you got a big problem. It's that simple.

And if you start saying to your team that somehow you got a job, You got shareholder relations, your job is to go on and tell everybody that our stock is the best thing among thousands of choices to buy every day. Well, that's crazy. And so what do you tell them all? They try to say, which way the wind is blowing and figure out what they have to tell people. And then they want and tell them. And then if you're a human and you've said we're going to earn $3.59 a share, you can get to $3.59, there is quite a while. And you can have a -- you have all these processes. But if you have a culture of lying, the processes really don't -- they just disappear by -- and Charlie and I've seen it every time we go on the board. But trying to tell them about it.

Charles Thomas Munger
Executive Vice Chairman

Well, I think Berkshire's culture is going to last a long time after we're gone. And I think it should, and I think it should and will prosper pretty well.

The rest of Corporate America is quite different. And it gets more different, I think, with each passing decade. And it's getting very peculiar. Pretty soon, they're going to hold all the shareholders' meetings online and shareholders won't even come and it's just -- it's getting very peculiar. And index funds get more and more important in the voting. It's like everything else in life, it changes and not always in ways you like.

Warren E. Buffett
Chairman, CEO & President

And it ends up for selecting different CEOs and all kinds of things. I mean you're not going to appoint a successor CEO. This is going to come in and said, everything that's been done before us, it's been kind of fraudulent. I mean if we needed to book an extra sale after the end of the quarter, if we needed to adjust the reserves and it's just -- it's -- once you start lying, it's all over. And I just don't know any way around that, except to try every way you can to not -- if you set the wrong example of the top, you got a real problem.

We don't -- we've never told -- we've never told to change our figure, and we never will. And if they had been changing figures, we'd be in all kinds of trouble because -- they know it. I know it. The next person would know it. It just deteriorates. And we've really seen it time after time.

The way boards operate, it has to be process-oriented not. I mean I understand the problems that Delaware has in writing a statute that judge's face when they look at things. But -- it's extraordinary. It's just extraordinary what an emphasis on process can do to an organization. Because they think they can do anything if it's allowed, and eventually, the foundation crumbles. Okay. I should make a little news here. So you've come -- you've all come and you may or may not see this, but it's very possible. One of the things we bought, one of the things I bought for a different purpose, by a different manager of months earlier, he bought roughly 15 million shares of Act division. And I never paid. I know about the company, but I would just see it at the monthly report. But then on January, I don't know, 17 or 18, something like that. Microsoft announced that we're going to buy Activision for $95 a share.

Now when they announced that, at that point, Activision becomes a different kind of security. It becomes what Charlie and I used to call, well, everybody did 50 years ago, we call them workhouse or something like that. And they become known as arbitrage. Well, they're not really arbitrage, but their securities are those, cans of common stock, who's value depends not on what the market price does but whether a given corporate event occurs, an announced corporate event occurs. Well, Microsoft wants to buy Activision will say, well, they said $95 a share. And they've got the money. And obviously, mergers and big mergers, tech companies, all kinds of things. We've got all kinds of problems with the world generally in terms of opinion, so you don't know what the Justice department will do, I don't know what the EU will do and all kinds of things. But at that point, it becomes a different security. And Charlie and I, 50 years ago, we used to do all that sort of thing. And we -- and thus Lady Ludeman and Goldman Sachs, and we even went back one time. I think I'm British Columbia powered didn't we to ...

Charles Thomas Munger
Executive Vice Chairman

We certainly did.

Warren E. Buffett
Chairman, CEO & President

I think Bennett was up there, and we were trying to figure out whether some takeover of the power business, we mean we spend a lot of time analyzing the probabilities of announced deals going through in the cowork out. Now the turn became arb. And it hasn't worked where overall too well in recent years. Now every now and then, I see something that I want to do in that field and -- but very seldom because they got to be big. The profit is limited. If they say you're going to get 95%, you're not going to get 96% and you may -- the deal blows up, you may have the stock that's at 40% or something. So -- it's -- but we did it with Monsanto 5 or 6 years ago when Bayer was buying it. And we got very lucky because it turned out be a terrible acquisition for Bayer, but it did go through because Bayer had the money, and they went through with the deal even though Monsanto came to a problem that nobody really understands the extent of. And we did it with Red Hat when IBM bought it.

So in any event, on September, whatever -- I mean, on January whatever it was 17, 18, 19. Microsoft announces it, and the stock which you've done. That's 60 -- I don't see what I may have a slide here, which I'll find. But in any of the stock, would you be in the 60s went up to the 81% or 82%, and that looked like not a big enough spread to me for a few days, and then to settle back a little. So anyway, we now own 9.5%, not -- something like, 9.5% of Activision. And if we went over 10%, we would file a report. So in order that the news people don't feel that there's no new there, I can tell you that as of yesterday. We own about 9.5%. If we go past 10%, it'll be a foreign filed with the FCC and so on. But it is my purchases, not the manager who bought it some months ago. And if the deal goes through, we make some money. And if the deal doesn't go through, who knows what happens. But that's -- I just want to be sure that if we do file that report, people understand very clearly because there's been some very mixed up stories on that in the past.

We want to be very clear that it was Warren Buffet's decision in that particular case. And he doesn't deal with the Justice department, doesn't know what the EU is going to do. We never talk to anybody. Mark talked about it think -- it's just about a document, it bets on assessment and it can change. And one time, I think we sold a few shares even when I thought it was a little higher than they should be and turned out those sales were not bad sales. So I just want to create a little news for you. And I want to -- if possible, head off story, which have been incorrect in the past and which then get picked up by other media and corrections never get written that all the corrections were written by one inaccurate story. And they apologized even to me, both the reporter and the editor, sent me a personal note of apology and they didn't expect to make a mistake. But when the other publications picked up the story, they didn't bother to pick up the correction. And millions of people were misinformed than probably -- than literally by the time it gets spread around. And this one I will attempt to head off by telling you exactly what the facts are right now. And we'll see whether we go beyond 10%.

But if -- it could easily be gone up a few dollars, it's still a $95 deal. It's still -- we don't know what the justice department will do. We don't know what -- but the low don't know what 30 other jurisdictions. We will do -- one thing we do know is Microsoft has the money. So that takes that one risk out of it -- so anyway. Charlie, do you have any news to break?

Charles Thomas Munger
Executive Vice Chairman

No.

Warren E. Buffett
Chairman, CEO & President

Yes. And in -- I don't talk this over with Charlie. I mean he knows what occasionally all see an arbitrage deal and do it. And 50 years ago, we were doing it together. And this general feeling is why is Warren fooling around with this kind of stuff even, but it's build fire horse. But occasionally, it looks like the odds are in our favor. But absolutely, we can lose money on that company, and fairly large sums of money depending on what happened if the deal blows up. And there will be a lot of people who want the deal with blow up. But Microsoft doesn't want it to bought see what happens. Okay, Becki?

Becki Amick

Charlie just mentioned index funds and passing. So let's go to this question from Matt Figel. His question is related to the growth of passive investing through index funds and ETFs. He says, passive investment vehicles now control upwards of 50% of the United States stock market. The actual owners of these passive investment vehicles decided passive investing makes the most sense for them. Yet in doing so, passive investors have empowered the large index funds to become the biggest activist in the market. These passive managers now enjoy enormous, and I would argue undue influence over corporate governance. Do Warren or Charlie see any benefit or logic to a rule that would prohibit passive investment vehicle managers from voting the shares they control for their passive investment clients?

Charles Thomas Munger
Executive Vice Chairman

Well, I'll take that. I think you guys are right. I think a good things out of the control and counterproductive. And I don't think it's good for the country to have 3 passive investors to rig young man from [indiscernible] telling them what proper governance of corporations is. It's not a good development. And it is -- and I think indexing if it gets to 90%, then it won't work very well at all. But at the moment, it's towards fine.

Warren E. Buffett
Chairman, CEO & President

Well, the one thing you can count on too is that if it does look like it's going to -- if the public opinion shifts over to the idea that it really is a good idea to let 3 people decide the fate of every company in corporate America, the 3 people -- and they won't collaborate or do it. They're not evil people at least. I mean they're just doing what you and I would do -- they would figure -- we don't care that much about body. What we do care about is as a bag -- so we we'll figure out something that ends up reflecting public opinion and then politicians won't get mad at us. And our only threat really is the politicians get mad us and regulators in some ways. So we'll head it off. And I would predict fairly confidently that if American public doesn't like the idea of 3 people controlling things, the removal, and their organizations and everything but there. What they want to do is -- they want to get bigger. And they wouldn't be where they are in the life if they hadn't wanted to get bigger. These don't happen by accident. It doesn't mean that's the only thing they want.

They want their investors to get good results on our rig, but they are certainly not going to follow a policy which is going to cause a backlash that causes them to be a lot smaller than they can figure out their self interest, I mean. And it's -- and it just so happens in this case, it would achieve the right result, which is that they would not control America, but the --

they don't know what's good for themselves and what they have to do what's politically acceptable. The only thing that really can mess up what is a very good deal for them is that Congress changes the rules and rules were the Investment Company Act of 1940 really can't tell people behave and it's government things in a big way for a very long time. And anybody that takes on the federal government loses trying to do that sort of thing, and they don't need to do it.

I just say, well, well, we'll give up voting or we'll vote our shares as the rest of people do in the cards of your vote. -- your shares as the rest of the people do. Then if the passive -- if the index funds at 90% of the country, you could take over a company by somebody else buying 3% or 4% because you'd automatically get the funds to follow your very small little percentage. You'll see it all play out. I mean it's not -- it's a big case, but it's not an unusual case. Okay. Station 7.

Unknown Shareholder

Yes. Eric Arda and I live in Albuquerque, New Mexico. So I want to first say thank you so much for a lifetime of knowledge. You're both graciously shared with all of us. You've contributed greatly to push our species forward. Moreover, you've taught all of us here, along with many, many millions not here, how to behave more rationally, treat one another with more love and lead more for foot failing lives. And for that, I want to say a very sincere thank you.

Warren E. Buffett
Chairman, CEO & President

Thank you.

Unknown Shareholder

As for my question, I want to ask about Berkshire Hathaway Energy and the unique structure that has evolved there, given that Berkshire doesn't own 100% of the company. The first part of that question is related to Greg's ownership and his corresponding incentive alignment with overall Berkshire. Now there's a wise man named Charlie that in 1995, at a speech to Harvard, taught us how important incentives are to human behavior. I would conservatively say that Greg's stake in BHE is worth more than $500 million at present.

And I'm curious if you can share any plans that you have to convert his Berkshire Hathaway Energy ownership to Berkshire stock. And if there isn't a plan to do this, can you please explain why we shouldn't be concerned about Greg's incentive structure going forward? The second part is about leverage at the entity. You've always said that BHE operates with an appropriate amount of leverage given its earning power. With that said, it's still a very, very large debt figure in relation to current earnings, especially with what we have become accustomed to at Berkshire. And I'm curious, if Berkshire owned 100% of Berkshire Hathaway Energy, would you still operate the business with the same amount of leverage?

Warren E. Buffett
Chairman, CEO & President

Okay. The second part is the easiest one to answer, so I'll take that. But I'll throw the first one back to Charlie. But the Berkshire Hathaway Energy actually is required with its regulated utilities and it basically started pretty much with regulated utilities. And still is dominated about that, and we're interested in buying more regulated utilities. It's required in different ways by different states and by different regulatory authorities to have a large amount of debt because the regulatory authorities will say in Iowa, or pick any state. The regulatory authorities are going to say you can get that money cheaper than you can get equity money, which historically has largely been almost always been true. And they say that since we're going to allow you, every turn on equity, we'll say, just pick a figure.

But let's say, the law is a return on equity of 9%, and we can borrow a lot of capital at 3%, they say it will result in higher rates to customers if you use it, put in all equity. We would love to have all equity and our utilities. But we wouldn't -- the regulator wouldn't -- the regulator wouldn't stand for it because it would result -- in under the traditional system, it will result in higher prices to consumers. So that's built into the system. And we would well, our regulator wouldn't allow us essentially to get the same return on equity and have an all equity structure. The -- and the answer is No. We put -- well, we actually saw in the film earlier which the people would are listed or hearing the webcast didn't see, but -- just in Iowa, we recently got approval to spend $3 and a fraction billion, but they want us -- I has a history and like every other state in New Orleans except in Nebraska, which is all public power. But every private power, they have a history of wanting x percent to be in that they want you to raise a lot of money in that because it's cheaper, means cheaper power for the consumer.

So the answer is if we owned 100% of Berkshire Energy, we would absolutely be following the same. We would be operating pursuant to what the utility commissions tell us they want to do that. They represent the people in those states. Charlie, do you?

Charles Thomas Munger
Executive Vice Chairman

Well, the other one simple too, it's a historical accident, it's not causing any big tension or breaches of fiduciary duty. We had the same problem with Walter Scott, who was a director for years, known stock is the same company also a historical accident. I just don't think it's a big problem at all. No behavior from Greg ever that isn't in the best interest of Berkshire.

Warren E. Buffett
Chairman, CEO & President

Yes. And we've had various percentages of Berkshire Hathaway Energy ever since we bought it, around 2000. And it happened. We were -- my sister who's here. We were at our house, and there was a party going on and 20 or 30 -- probably 30 people. And Walter said to me, I think a minute or 2, I'd like to talk to you about something. We went in the library or someplace and Walter says, we've got this company and doesn't seem to fit the public mold very well, and would you want to buy in call private. I said, sure, other than the price. And when we got back to Omaha, I was on in the West Coast. When I got back to Omaha, we met with David Sokol, who was the big older aside from Walter. And agreed on a price. And remember Walter saying that Dave don't negotiate with Warren. He'll tell you to forget it and we'll do something else. And we bought it at -- so it was kind of a weird structure from the start, and we had a public utility holding up in the Act deal with and all kinds of things. And it's evolved -- and it now has us with 91% roughly, and it has Walter's estate, and I don't know where that goes and at all, and Walter never talked to me about it, and I never asked him about it. But it's one way or another, interests connected with them in the state, now close to 8, I guess. And Greg's got one. And the -- from our standpoint, we made a deal with -- if they ever came to us and the Scott interest wanted to do something, we'd say fine with them. We'll do the same thing with Greg if he wants to, and he probably wouldn't want to, But from our standpoint, I've never seen any decision from Oli. I thought that would make a difference. It would not be -- it just won't be the right kind of person to run Berkshire.

And the problem, of course, is that you've got lots of process that can be involved with insiders and everything. And I've got no interest in -- as long as I'm alive, my interests are 100% with Berkshire. And the Board probably and to some extent, a little raw totally, but they just say, "Well, Warren thinks the deals okay, it must be okay," which is true. So I could make a deal with anybody, and it doesn't get all messed up with process.

But on the other hand, if I'm not around the pressures are the directors to do whatever the lawyers tell them to do and the lawyers tell them to do this and that, and then they want to bring in investment bankers to make a value. And the whole thing is a game from that point forward. And it's expensive. It takes a lot of time. The people -- so it would be better if it happened while I'm alive and around. But there's no reason -- we got the 100% and 91%, obviously, because more earnings for Berkshire. But there's no reason to try and do anything with either the Scott interest or Greg. Almost they want to do it analogical thing is if anything happened with Scott, we certainly offer it to Greg. But that -- who knows what happens in future.

The one thing I guarantee you, Berkshire Hathaway holders will never be taken advantage of, and you can sue my estate or something like that. If anybody felt differently about that, it isn't going to happen. But it's a lot easier if it's done while I'm around actually than if it's done later. But...

Charles Thomas Munger
Executive Vice Chairman

I wish we had 20 more complex vendors just like it.

Warren E. Buffett
Chairman, CEO & President

Yes. That's exactly true. Yes, it's a perfectly logical question. I mean -- but it is not a problem. And any answer that's derived that will be good for all concerned. And right now, I've got no -- I've got no feeling that -- that well, I have no knowledge at all of what the stock that Scott's have goes or what they -- how they feel about or anything. And that's up to them.

Warwick was our partner, and that's why we're concerned. We treat anybody connected with them as our partner. They know that. They don't have to worry about us. They can take advantage of them. And we can understand if they don't do anything, we can understand that. If they want to do something, we can understand that. It's a good question, thank you. Okay, Becky.

Becky Quick

This question comes from Steve Blackmore in Bozeman, Montana. This is to Charlie. He says, in the past, you've made favorable statements about investing in China, in part based upon valuation metrics. What is your opinion now? And how much weight do you put on the actions of the government in your analysis? Do the recent communist party activities in China, including human rights violations, blatant cyber theft from U.S. companies and others, crackdowns on speech from business and media, et cetera, caused you to change your opinion on investing in China? And how do you evaluate the clear dangers of investing under authoritarian regimes as recently evidenced by Russian atrocities in Ukraine?

Charles Thomas Munger
Executive Vice Chairman

Well, those are good questions, and there's no question about the fact that the government of China has worried the investors from the United States who invest in China, more in recent months and years than you did in earlier periods. So there's been some tension. And it's affected the prices of some of the Chinese stocks, particularly Internet stocks.

Just in the last day or 2, the Chinese leader has served or reversed course on that, I said you went too far and he's going to pull way back and so on and so on. So we're having some hopeful signs. But yes, there are more difficulties invest -- I mean, dealing with their regime in China than there are in the United States, and it's different. It's a long way away, and they've got their own culture and their own loyalties and so on and so on.

And -- the reason that I invested in China is I can get so much more -- so much better companies at so much lower prices, not willing to take a little political risk to get them get into the better companies at the lower prices. Other people might reach the opposite conclusion, and everybody is more worried about China now than they were 2 or 3 years ago. So that's just the way it is.

Warren E. Buffett
Chairman, CEO & President

I have nothing to add. Okay, state your name.

Unknown Attendee

Warren and Charlie, my name is Tom Ridge. I'm from Wayne, Pennsylvania. It's great to be back here after 2 years.

Warren E. Buffett
Chairman, CEO & President

Thank you very much.

Unknown Attendee

In this year's letter, you talked about insurance float, the evolution of float, the per share float the effect on repurchase to increase the per share load. And in regard to the repurchase, I would say thank you as your partner for your careful repurchase as well as careful issuance of our shares.

My question is about your expectation for the likelihood that float will be stable and the cost will be zero or close to that over time with adverse years from time to time. What about Berkshire's insurance businesses give you the confidence to make that statement when your competitors are trying to do the same thing, but haven't been able to come close to achieving Berkshire's record in cost and growth of float.

Warren E. Buffett
Chairman, CEO & President

Well, they really aren't trying to do the same thing, which is kind of interesting. The answer to your question is we wouldn't be in the business unless it was my judgment that the likelihood -- the weighted probabilities are higher that the fall will be useful to us rather than costly to us. And nobody will know the answer to that for a very long time. so far, so good. But it is a judgment. And absolutely, I could be wrong about it.

But the -- I think both Charlie and I would say that we think the odds are that it's waiting better and the odds are pretty good and that we're quite well positioned to do it, if anybody does it. But we know one was coming I mean -- okay, I mean, it is not a sure thing.

Charles Thomas Munger
Executive Vice Chairman

Just think of what the potential is, though when you're reviewing it. If we could buy common stocks, we were virtually sure would give us 8% after taxes, with our whole float, that would be a hell of a lot of money.

Warren E. Buffett
Chairman, CEO & President

I can show you what it would be, but give -- or $12 million.

Charles Thomas Munger
Executive Vice Chairman

Yes. It's an enormous amount of money.

Warren E. Buffett
Chairman, CEO & President

Annually.

Charles Thomas Munger
Executive Vice Chairman

Yes, annually. And the float has been growing. So relax, we're glad to have the float.

Warren E. Buffett
Chairman, CEO & President

But Charlie stuck in a couple of things there, if we could earn it. And if we the answer is it's our job -- and we think we can do it as well as anybody or we wouldn't be doing it. But it's our job to figure out what businesses we want to be in, and when they don't make sense, reluctantly occasionally to give up on them like the textile business. But those are the hard decisions. And insurance, you have the faintest idea back in 1967 when Jack Ringwalt stopped by the office, quarter stop by about 1/4 of 12, and Charlie either set them up. And Jack, about once a year, he get mad at the regulators. He just didn't like being regulated.

And he'd say to himself, I'm going to sell this d*** thing. And Charlie caught him 1 day and he said, "Jack, was in the heat. I should break them wrong." So he came up. Well, quarter 12. And Jack, so they want to get rid of the the d*** business to regulators were driving them not to something I said, "fine, I'll buy it." And we said, what price do you want? And he said I think $50 a share then. I said, fine. We're done. We've done it. We don't need an audit. We don't need anything.

And then Jack started, and he said, "Well, he said, immediately, he really changed his mind, but he was too honorable to back out. So he said, "Well, I suppose you'll want me to sell you the agencies." And I said -- of course, if I said, yes, and he said, "Well, we can't do it." So I just said no, keep them Jack. And he said I suppose you want me to do that. I said no, I don't want you to do that. I was hoping I would just give him an out.

But after doing that for 15 or 20 minutes, he saw that I was going to agree to everything he said, and he said he'd sell it to me at $50. So he followed through, and that was that. And it was pure luck.

Charles Thomas Munger
Executive Vice Chairman

And we really like our float, don't we?

Warren E. Buffett
Chairman, CEO & President

Pardon me?

Oh yes.

Charles Thomas Munger
Executive Vice Chairman

We really like our float. We love it.

Warren E. Buffett
Chairman, CEO & President

We made the most of it, but we didn't make the most of it until Ajit came along. And who knows that the guy was going to walk into my office in 1986. And I would decide that he was the guy to make this d*** thing work. I haven't been able to make work, the way I wanted it to do. And who knew that GEICO would come along later on, who know it. There's just all kinds of things.

The one thing you have to do is be prepared an opportunity comes, you really do have to just -- you just move. And fortunately, I operate in an environment, and I wouldn't operate in any other environment, I get out of there. But I offer an environment where I can do it. And it'd be crazy of the Board to say, we want to set up a committee to review every acquisition and all that, and I would say that's fine, but work with somebody else because I just don't want like to go through all that stuff. There are other things I'd do for the rest of my life.

So there's so much luck, but there is that -- you do have to be mentally prepared and to do something when it makes sense and do it big time and do it instantly. And then you got to be sure you've got the resources to do it. And I mean those...

Charles Thomas Munger
Executive Vice Chairman

The relative absence of bureaucracy at Berkshire I believe has made the company a lot of extra money for a very, very long time.

Warren E. Buffett
Chairman, CEO & President

And it's made my life happier.

Charles Thomas Munger
Executive Vice Chairman

And yes, but that's ideal.

Warren E. Buffett
Chairman, CEO & President

But in the end, we are extraordinarily well positioned to do exactly what we want to do with float, while at the same time never putting ourselves in the position -- never coming close to making a promise we can't keep.

We had 2 small insurance subsidiaries before -- well before Ajit, 2 companies I bought -- why I don't really didn't know that much about the other one I did it all by myself. And they were disasters. And left alone, which they could have been, they could have gone bankrupt. And we just didn't want to do it. So we couldn't pay the liable at least, and if the parent company got involved and put it in another insurance company or not, we did it.

I mean it's -- Berkshire, in a crazy way, I look at Berkshire as a painting. And it's unlimited in size. It's going to an ever expanding campus and I get to paint when I want. And if somebody wants to paint something else, and I'll go some place. And I've got a smaller little thing and I'll paint away. And I actually I'm not going -- I don't know any thing about painting, take me to an art museum, and all ever you want to know where the men's room is.

But I'm just not interested. And other people look at paintings, and they see something, and then they see nothing additionally with on, I mean, they really have a different sort of perception ability in relation to that. And to me, Berkshire's a painting and I get the painting. The object, obviously, I want my partners to come out well, but the real thing I like is to paint. And as long as it's in my head, and I see different things in as I go along. And it's closest thing I can come to enjoying myself every minute of the day.

And I don't prescribe it for other people. And occasionally I -- well not occasionally, but I see things in the painting, well, do on that differently and then go back and paint it over and it's satisfying. And who knows why human beings react in that manner. But I do know what makes me happy and what doesn't make me happy. And I found what makes me happy. So why in the world will I change it? So that's as a short answer to a question that I can't remember what it was. Okay, Becky.

Becky Quick

This question comes from Andrew Kesa from Minneapolis, Minnesota. He says, last year, Warren mentioned that inflation had noticeably impacted the prices that Berkshire's businesses were paying and charging. Given those inflationary trends have continued and, in some cases, accelerated since last year's meeting, could you comment on how this particular inflationary period ranks among previous such periods in the United States, like the 1970s and 1980s. And what kind of American businesses and citizens do to reduce the negative impacts that inflation brings about?

Warren E. Buffett
Chairman, CEO & President

Well, we've sort of attacked them what you do yourself and you develop the skills that people are willing to pay for in the future, regardless of what unit of exchange is. But in terms of inflation in our own businesses, it's extraordinary how much we've seen. The -- I think you interviewed Herb [indiscernible] in that the furniture mart inc for 2 years, the prices have just kept coming in higher for these things. And with -- and -- we sell them for higher prices and people have more money than they've had before. And they like to buy.

And there are certain things they can't buy. Like during World War II, you get a lot of money created and people couldn't buy cars and they couldn't buy refrigerators and they couldn't even buy as much sugar or coffee or things as they wanted. They have little stamps and gasoline and all kinds of things.

Well eventually, we get a lot of money in people's hands and you don't have very many goods, prices go up. And all kinds of things to plan, talk it down. And of course, inflation is never the same. Nothing in economics is to say the second time after it happens in the first, because the first affects people's attitudes and the second, and their attitudes always influence the activity itself.

I mean, it is an interesting phenomena. There are people who write a textbook and they really run it based on the last experience and people read the textbook, so they behave differently next time. And they wonder why they're getting a different result than they got the time before. So anyway, we have -- we have sent out lots and lots and lots. When I say we, I mean the United States government.

We have -- the government has sent out lots of money to people. And -- at some point, the money can't be worth as much as it was when there was us money out. There's an interesting figure that I think probably will astound you, astounds me anyway. The Federal Reserve every Thursday puts out a balance sheet. The Federal Reserve -- they're complicated institutions, but they do put out this kind of consolidated statement of all the various Federal Reserve banks, all these things that have entered into the legislation over the years. And there's a balance sheet.

And 15 years ago roughly, if you look -- the Federal Reserve issues those notes I talked about a while back. And -- that's the one -- there's the current one, and they print these pieces of paper. And they -- one way or another, they got in the hands of people. Well, the interesting thing is people said, cash is dead and all that sort of thing, a cashless society. Well, there were $800 billion, go back 10 or 15 years, there was about $800 billion of currency in circulation.

And if you look at last Thursday's report, you'll see there's something like now $2.2 trillion of currency in circulation. $2.2 trillion. Now there's about -- there's well, there's -- there's 330 million people in the United States. Let's look at it that way. And with 330 million people and you have almost $2.3 trillion of currency in circulation, that's $7,000 per person, every man, woman and child in theory, has $7,000 worth of currency. Well, that isn't right. But you do know that the Federal Reserve's bookkeeping is essentially right. They've got that much to tout there.

I don't know whether -- where it is. I mean, I don't know whether it's Russia, I don't know whether it's in South America, I don't know where -- I don't know whether Charlie has got it all. It's a staggering sum. Cash is dead and yet we, on average, have $7,000 for every person in the United States.

Now while you're absorbing that, think for a moment, what would happen if the U.S. government said, well, they're working out in private and they decide that they're going to send Federal Reserve -- and I'm not going to blame the Federal Reserve or there's somebody back in Washington they said, they're going to send down $1 million to every household in the United States. And there's 130 million households in the United States or something like that. And then $1 million in cash.

And there were a couple of provisions attached to it. One is, if you talked about it in the next 30 days, the money disappeared. So it was like in one of those old TV shows or something and poof, it disappears. And after 30 days you could spend it. Well, all of a sudden, you've the household wealth of the United States, better user puts on an estimate -- it's $130 trillion or something like that, so basically, you've doubled the household wealth. And all you've done is mail it up to people. But they don't tell them you're doing it with everybody. You just say they won the lottery or whatever it may be. And now you've got an amount equal to household wealth, that on average, people will double, but they've got this extra $130 trillion of wealth. And in a month, they can spend it. Well, what's going to happen?

Well, but prices are going to go up, but are they going to go up immediately? Well, you don't know the other guy got it. You just know you've got it. So you don't really feel like you got to rush out by then. But as soon as word gets around, well, we've mailed out. If you look at amount we've distributed, the federal government, just talk about the distribution of resources, we're talking numbers like that, and it affects prices. It has to affect prices.

You had 10x as much you want a home and you got 10x a net worth you add yesterday, but everybody else is the same thing that doesn't increase the amount of bread in the economy or the number of cars, and it just means that the price -- the value of this is going to go down and it's purchasing power, you can't buy more than what exist. So it's a very strange period where we have lots of money sent out to people, one way or another we're getting it, that they didn't find as many place things to buy as before, and we had supply chain is roughly we have all these things happen.

But at the end of it as they go out to the Nebraska Furniture Mart and they start buying things. And they do it with other companies, and they do it in very peculiar ways. And now they're buying -- I mean, 1 thing, jewelry stores were generally speaking, not a very good business. And 2 years ago, every landlord that a jewelry store or multiple jewelry stores in their mall I was wondering how they were going to get their rent. And now every jewelry store virtually is doing incredibly better than they ever dreamt with way less inventory because people are just coming in and buy.

They don't wait for sales. When they walk into the store, they're going to walk out and they're going to have bought something and -- they pay for it. They got the money. So we are seeing an unleashing of the fact that we've just mailed a lot of money to people, one way or another, very indirect, all gets complicated when we talk about a big system, but this is what's happened.

And I will guarantee you that -- if we just -- if we mail out $1 million dollars every household in the United States tonight, and you don't know that it's happened, you don't really expect much to happen in behavior tomorrow. But somehow at some point and then we start doing it every month, we'll say, people really know you're doing it, then they start anticipating it and buying out a diamond forward -- I mean, there's a million things that happen in economics.

But the answer is we've had a lot of inflation and it was almost impossible not to have if you're going to mail out the kind of money we've built up. And it's probably a good thing we did. In fact, I think one point when the Federal Reserve, which in fact creates the money, the -- if they hadn't done it, their lives would be a lot worse, a whole lot worse. Now, and that was an important decision.

And that's the way the -- that's the -- that's why you've had inflation. And having those -- I mean it could end, you control the country and the recession, you can do all kinds of things. Countries are going to have recession incidentally, and it's going to have depressions periodically. And things don't -- things don't happen differently.

And you'll read the newspaper to that and you wonder a year from now, why was that reading the newspaper a year ago? I mean, it's just the way it works. When I bought the first stock in 1942, did I know everything is going to happen afterwards, of course, not I don't know a d*** thing. But I just needed to have one idea. And that idea wasn't really well formed. It was just was probably the way actually every kid felt about the country when we just gone into a war. We thought America was going to win and America was going to win then. It was going to win just generally and savings bonds were paying 2.9% on that. Because we won, they call the war bonds originally and call them the bond, call them the savings bond, but they were the same thing.

And it's different loads of money and money is going to be worthless. Not worth less -- I got in trouble doing that one time, CNBC because I said it was going to be worth separately, less but contracted down to worthless. So I've got a few years to separate those words, some of. Anyway, -- that's everything I know about economics and more and Charlie can probably improve on it.

Charles Thomas Munger
Executive Vice Chairman

Well, it happened on a scale is we've never seen before. Those checks are just mailed out to everybody who claimed to have a business and claim to have employees. They fairly drowned the country in money for a while. And as you say, they probably had to do it. But it was something that had never been known at that scale before.

Warren E. Buffett
Chairman, CEO & President

But we had a problem we hadn't had before.

Charles Thomas Munger
Executive Vice Chairman

Yes. No, I'm not saying it wasn't.

Warren E. Buffett
Chairman, CEO & President

Because I mean -- and my book, Jay Powell is a hero. I think that's very simple. I mean he did what he had to do when -- if we had done nothing, it would be -- I mean he would be very easy to engage in what you would call thumb-sucking then. And plenty of -- I shouldn't say plenty of, but there are other Fed Chairman that would have been sucking their thumbs, and the world would have fallen around them. And nobody would have exactly blamed them.

They would have planed the virus and the Chinese and all kinds of things.

Charles Thomas Munger
Executive Vice Chairman

Well, the really interesting company is Japan, where they -- first, they buy back all of the other things start buying back all the common stocks. Now that's really where -- and what do they get? 25 years of stasis. Who would have predicted that?

Warren E. Buffett
Chairman, CEO & President

Well, nobody predicted anything. I mean there's nobody's predictions that we're interested in, including our own. I mean, it's very simple. What we do know is that we can deserve your trust. And there's no reason to do things that don't deserve it. And we can't tell what. But basically, we think we're trying to build a Berkshire that can't withstand a nuclear exchange, but it can withstand just about -- withstand as much as in anything, that we can do anything about. And that leaves us feeling good.

It doesn't leave us feeling perfect, that we'd like to even promise you more than that, but we can't promise more than that. So it's very simple. And with that, we'll move on to 18. And -- let's see, that's Station 9.

Unknown Attendee

Dear Mr. Buffett and Mr. Munger, I'm Eli Abouchacra from Montreal, Canada. I would like to thank you for everything you've done for us, your fellow shareholder. My question is regarding the GAAP rules. If you were to change it, what would you change what we would look like?

Warren E. Buffett
Chairman, CEO & President

Well, I would resign the job. What would you be trying? No, it's an impossible problem because, first of all, you have to decide whether what GAAP is supposed to reflect and it doesn't reflect value. But in certain cases, of course, it is important to say that this is value and so -- I mean it's a convention and it has done it.

So the auditor generally is protected because, otherwise, everybody sues everybody in this country for anything. And it's designed to cause people who want to report a given amount of whatever is desired by the market, they'll largely be able to do it. And I don't know how I would write the rules.

I mean, I've watched people who I would be delighted to have live next to me. If I was going away for 2 weeks and my kids were to stay at somebody's house, it'd be fine with me if they stay there. If I lost my wallet some place they found it, they return it to me. But they play it, they play games with any number that came to them. And of course, it's a very awkward thing to be on the Audit Committee of a company where people are playing around with the numbers. And they don't want you. If you raise the stink, you've got all kinds of problems.

And I actually wrote something some years ago up for, I was kind of anticipating your question about 15 years ago, I guess. And I wrote 4 suggestions for questions to be asked of the Audit Committee. And I don't know whether it was on the Audit Committee then of Coke or whatever. But anyway, I mean just clear to me was what was happening, but you had to -- you really had to follow the curator, you've gotten all kinds of trouble for doing that, too.

And some, I just put 4 questions out that I would want to know, and they were perfectly logical questions and in the end nobody adopted them. I mean the system was fine as it was. Those auditors got sued, but not that often. And -- and the SEC had lots of rules and I admired the SEC enormously. I think the country is better off because of the SEC. But it is a hopeless question -- question or problem to devise rules that people can't get around.

I mean it's not -- I think was it that -- my friend that was a writer said, it's not the illegal things that are outrageous, it's the legal things. It's just -- it's very hard. You try and it's worthwhile. You need an SEC. But the SEC can't really stop the stuff that you would find out ranges that explained and the auditors have the same question. I mean, the auditors really want -- they want rules and they want processes, and they want it to be so they can operate.

Charlie, he was on the Audit Committee of Solomon. And we had probably literally millions of contracts where people put numbers in. And he found the $20 million -- we had the largest auditing firm of the country that Arthur Anderson, I remembered.

Charles Thomas Munger
Executive Vice Chairman

They're gone now.

Warren E. Buffett
Chairman, CEO & President

They're gone now, yes. But there was a -- but they were the largest. And Charlie found a $20 million error, I think what type of error.

Charles Thomas Munger
Executive Vice Chairman

They called it a plug. When your company starts talking about a plug, it's not good.

Warren E. Buffett
Chairman, CEO & President

Well I'll tell you a story I haven't told before. You saw in that moving -- people who are here saw, he testified in August before the sub-committee who were out to get their way. And I just decided -- I was just going to answer every question honestly, and I was not going to try and drop anything. So I just sat in front of them and said what I knew and didn't know. And one of the things I said, which was absolutely true, is that -- I haven't been there 10 days or so at Solomon, but I said, I really haven't seen anything yet that strikes me as terrible in accounting, but I've been there 10 days.

But this guy who got us in all this trouble so far. He's the only thing I found. I don't know what else is going to be found out, the hell that I know going on in a place that was doing incredible numbers of transactions and everything. Well, what I said, what I've seen the accounting strikes to me as legit. About a month later, I was so happy I testified it earlier or not later. A very fine CFO -- and these are decent people. They're very decent people. And he comes in, and he said, Warren, there's probably something you should know. And I said, "Well, what's that?" -- he said, "Well, 12 years earlier or whatever it was, Solomon merged with Fiber, which is a huge trading company, Solomon was a huge investment banking company, they've become this huge powerhouse.

And he said 12 years ago when we merged with them, we sort of couldn't find exactly -- they were on a trade basis. We were on a settlement basis, and we never really figured out how to put the books together. This is the largest audit company in United States, Arthur Aeron's responsible for signing this thing.

So we have this number. And every day, it moves around, and it just put in there to make assets equal liabilities. And today, it's $173,412,000. And tomorrow, it will be something different. And I thought to myself I am sure glad I testified to Congress a month ago because I did not know then. But if they ever ask me again, I'm going to -- I'm going to tell them exactly what happens. We just got this number of the folks around every day. And we haven't found it in 12 years and our underwriters doesn't know where it is. And -- you got to make the assets equal the liabilities, right? What else do you know -- and that's exactly what happened. And strange things happen in this world.

Charles Thomas Munger
Executive Vice Chairman

I think the name was the floating plug.

Warren E. Buffett
Chairman, CEO & President

And Charlie was in the Audit Committee. The one thing I've always suggested, nobody ever wants to do this, I can understand why, but you've got trillions of dollars worth of contracts and everything that people are putting down a little numbers for every day at banks and investment banks and all over the world. I mean commodity traders and at Berkshire, we take down something, but there are certain hedging that even the regulators want us to do in terms of giving utilities and we put a little number in.

And I've made this suggestion once or twice. If you really want to do something sort of interesting, just get some young guy, give them a couple of weeks and pick the hundred most kind of complicated long term, well, lots of wording, derivative contracts and look at what one side, who promises to do something, values it up, and look at what the other side who also reports and just let them do it for 100 of operations at random. I'd just like to know if somebody is valuing them, we're valuing a contract of $28 million, the guys value it at $33 million -- and you've got the same auditing firm. In both cases, they're signing their name to them. I don't think anybody has ever done a suggestion.

It's -- that would be the first thing I would do actually if I really wanted to sort of dig into what was happening in accounting. But -- but there's a lot of things in life you can't change. And nobody is going to go looking for ways to create lawsuits and newspaper stories of things that I don't blame them.

So I did -- I said I brought one thing, I just couldn't resist. I was hoping I'd get a question. So I'll ask it myself, I was hoping they get a question that how could these -- some guy be so idiotic as to propose a price of $848.02 or whatever it was, or is for Allegheny Court? I mean is that getting a little scientific? And of course, I did provide when I made the offer, but it'd be $850 less whatever it was paid to whatever investment banker, they wanted to select Allergan's case, and they're bound to have to do it because Delaware laws develop in such a way that the Directors are protected if they get expert opinions, all that sort of thing.

So I don't fault anybody in the system. But I just thought it might be useful, actually, -- maybe the Delaware judge someday, Delaware statute maker, maybe people that are writing papers, who knows. But I suggest that we just -- since I'm willing to pay $150 a share for the place as is, if they audit these or -- I mean, if the advisory fees are $10 million or $40 million, then that makes a difference to someone. And it has always made a difference to us as the buyer, but that's just the way the game was.

Well, there's a little history to that. and I went back and there has been twice in the. nobody ever paid attention to this, but they've been twice in the history of Berkshire Hathaway, 57 years, twice that Berkshire was required to get a fairness opinion. And it was perfectly logical that we'll be required to get a fairness opinion in those 2 cases, because in 1 case, Diversified Retailing, which was a company I was invested and both of them that came out of our partnership. But one had a group of shareholders that were different than the other group of shareholders at Berkshire and the 2 I want to merge. So you have 2 companies with me being the big, I guess, beneficiary of between.

And it really -- it wasn't up to me to determine the ratio. I mean even though I have the most involved, but I had a little more of 1 company than the other. So anyway, a fairness of opinion was required. And this has only been twice in the history of Berkshire that one was required. So naturally, I went to Charlie. I said, Charlie, we do have -- I mean Charlie told me he do it better than I did. We need a fairness opinion in this case.

And he said, "I know what's fair. You know what's fair. -- and -- that's what he thinks is fair." If the 3 of us owned it, and 10 minutes we got to work out a deal, and all 3 of us regard it as fair. But because there were public shareholders and everything, it wasn't right to do it that way.

And the first one, we have 2 of these, but the first 1 was November 27, 1978. And I told the shareholders essentially that my personal belief is that both diversified and Berkshire shareholders will benefit from the merger. But I will not -- I will vote for the merger only if a majority of the shares, which are voted by other shareholders of each company are voted so more, so -- which was fine. I commit it myself. Yes. That let the other people decide whether this is fair.

But on top of that, we needed to get a fairness opinion from an investment bank with a big name and everything. And so I said to Charlie, I said, these things are going for $1 million or $2 million, where they get some guide that they are at last week and you write some a little thing. And then we get a bill for $1 million or $2 million and they haven't done anything. They don't know either company, and there's a million things. They're not going to know about it, but they're going to write an opinion. And we need the opinion. I said, so what do I do? I go to Charlie with these kind of problems.

He said, Warren, it's very simple. He said, pick out 10 prestigious investment banks and do exactly what I say. So okay, Charlie. What do I do? Why don't I call and get these 10. He says, "We'll put them in order, 1 through 10." And he said, call the guy at the top of the list and tell them, you'll pay them $60,000. We're doing a fairness opinion. And you know that it's an insulting price, and it's ridiculous for them to do it, because it will affect what you can get from other people down the line that will look back and they say, well, we only paid $60,000. Why should I pay $2 million?

And he said, "just tell them, -- that's what you'll pay. And if they're insulted by it, which they probably should be, then you'll go to number two. And then offer them the same deal, and you'll just keep going down until you get to #10. And if you don't have it anybody by # 10, you've told the other people. You'll come back to #1 again. And you'll say, "Well, I'll pay $80,000, then you go down the list and everything."

Well, so I picked 10 names out and #1 name was Jack Shad, and Jack Shad was a friend of Tom Murphy, he's a friend of Bill Ruane, and he was running E.F. Hutton, and he was very, very, very successful. And these banker, I didn't know them as well as the others, but I met them from my friends. I called him, I said, "Jack, I said I've got this crazy request. He says only because everybody admires you so much, my friends or your friends and blah blah blah, and he have been so well regarded. I said, "I'm going to do something this I'm going to ask you something that is totally against your interest, and I fully understand the fact that you're going to say, you're an idiot for calling me on this and slam down the phone. But I said, "Jack, here's our procedure." And I've described this procedure that he gets called first and he turns it down, then I go to PaineWebber and then I go to the -- go through tell them, there is these 10 people.

And if we don't get any yeses, I'm going to come back to you again I'll offer you $75,000 and we'll do the same thing until somebody says yes. And I said, Jack, but you are the first call. So $60,000, and it's going to screw up your business. If you do this because every client you get in the future is going to say, well, you did it for diversified retailing at Berkshire, and why in the world should we pay it $2 million when he paid just $60,000.

And Jack said, "Don't worry about it, Warren. I can take care of that." He says, we're in. And so we got a fairness opinion, but for one side, now the next call I made was to PaineWebber, and I gave the same story. And I said E.F. Hutton was dumb enough to take the 1 side for $60,000. I don't know why the hell they're doing it, they're destroying their reputation and all that.

and PaineWebber said, we'll take the other side for $60,000. So we have a thing to describe the whole process.

Charles Thomas Munger
Executive Vice Chairman

And they got well load. They sound out an enviable alcoholic they had to do something with.

Warren E. Buffett
Chairman, CEO & President

Well, what they did -- well, they each billed us for $60,000, and we paid it.

Charles Thomas Munger
Executive Vice Chairman

That's what you get for $60,000.

Warren E. Buffett
Chairman, CEO & President

No, no, no. We got the same thing everybody else got, Charlie. And of course, Jack Shad, this is 1978. He was appointed Chairman of the SEC for 7 years. Jack we'd like to do business. And it was true. It didn't hurt him. They paid those $60,000 and we went back and charged somebody else $2 million the next week. And it's all play money. And so we did the same thing when we got the blue chip stamps.

Well, we were similarly conflicted 4 or 5 years later, we went back to the same 2 guys, and there have been a lot of inflation and everything like that. So we said $110,000 that I've got the prospectus for that. And both of them said, send it in, don't worry about our other clients. We'll figure out some story to tell them, whatever it may be. But I just thought it would be interesting at some point, have people realize that it's not playing money. Somebody pays it.

And it's a game. And that -- but it's what passes muster in Delaware, and the directors will have it explained to them by the lawyers that they're not going to get sued if they do it in a certain kind of way. And it's -- so I just decided that somebody at some point -- to point out what actually is happening in the situation, and that's why we did it that way. And they go down with our earlier attempts to educate the world on the realities of finance and its various interactions, and why it's better to be teacher than to be an investment banker, than to be an electrician or something.

But it's -- you've got an eccentric Chairman, and that's what he did. Charlie, how do you feel about this whole banter? That was your idea originally.

Charles Thomas Munger
Executive Vice Chairman

Well, -- it's -- we're a little peculiar. And it's not all the peculiarities are not bad.

Warren E. Buffett
Chairman, CEO & President

I talked to Charlie before. And I didn't talk to Charlie before I did this time. But Charlie has given me 4 ideas and together on extremely practical matters -- we so much -- I mean, they just changed everything. I think you really ought to talk about the experience with the fraud company.

Charles Thomas Munger
Executive Vice Chairman

The what?

Warren E. Buffett
Chairman, CEO & President

With the fraud claim, the Fidelity claim with the guy who had a very well-known insurance company that -- you don't have to name names. But that basically you told them just raise the stakes to make the game fair. This was back in the 1960s. Do you remember that?

Charles Thomas Munger
Executive Vice Chairman

I don't remember.

Warren E. Buffett
Chairman, CEO & President

Well, I do remember.

Charles Thomas Munger
Executive Vice Chairman

Well tell it then.

Warren E. Buffett
Chairman, CEO & President

Charlie had this tiny little operation, which he ran his fund, also had a seat on the Pacific Coast Stock Exchange, the firm is called Wheeler Munger. It's called Wheeler Munger at first, but later changed itself to Munger Wheeler. And Jack Wheeler said, well, pretty soon it will be Munger and Company. But that's okay. Jack Wheeler was a very interesting guy and he had the specialist position in General Motors and a few things.

And some employee stole like, I don't know, $12,000 or something like that.

Charles Thomas Munger
Executive Vice Chairman

I remember, he had the trading tickets.

Warren E. Buffett
Chairman, CEO & President

Some guy steals some money. And Charlie's firm, Wheeler Munger, was required to have a fidelity bond and all these things that covered dishonest employees and all of that sort. So this guy is clearly dishonest, he's clearly stolen the money. So Charlie puts in a claim for $12,000 or something like that, whatever the loss was, and sends it to this very big and prestigious insurance company.

And of course, the insurance company denies this claim they say, the guy really wasn't an employee, he doesn't exist. You don't have a dog. I mean the whole thing, and Charlie gets this letter back and they're not going to pay the claim. And so Charlie invites a letter to this very well-known, big name, a person that runs the insurance company. And he said, "Look", he said, "We have this $12,000 claim." And he said, "That he stole the money." And we thought we had an insurance policy to gets people steal -- people stole money. And he said, "We're in this very interesting position because you've got a bunch of people on the payroll, and they're going to get their weekly check or monthly check, whatever they do." So they just say, "We're not going to pay," and life goes on, whereas I'm sitting here, and I've got my time. I got to work on this thing, and it isn't worth the $12,000 for me to fool around with this claim against the company and I'll appeal in all these things. So he said, "I know that you would be offended by the thought that you might be using this inequality, a bargaining position to avoid playing at the claim, and that never could be your intention. So what I suggest in order to -- for you to live up to your code of behavior is why don't we make the $12,000 claim, we'll just multiply it by 10, and call it $120,000 either way. And if you lose you pay me $120,000. If I lose, I'll pay you $120,000." Now it's worth my while. And I address this the letter to the Chairman and says that's the guy, he gets a $12,000 check by return mail.

It's not a bad lesson. He's told me 2 others, but the church are too good. I don't even want to share them now. I may use it myself someday.

Okay. Let's go to Becky.

Rebecca K. Amick
Director of Internal Auditing

We've got a lot of questions on this topic. I'll ask this one that came from Raj. He says, "Have you changed your views on Bitcoin and/or cryptocurrency in any respect?" I'm conflicted about this because his own views have slightly evolved during the past 2 years from Bitcoin as a fraud and waste to Bitcoin isn't a speculative bubble but might have some uses.

Warren E. Buffett
Chairman, CEO & President

Well, I shouldn't answer any questions on the subject, but I will. There's all kinds of people watching this that are long Bitcoin, there's nobody that's short. Nobody wants their windpipe, step down. I don't buy them. I don't like people step on my windpipe, but I would say this, that if all the people -- if the people in this room owned all of the farmland in the United States, and you offered me a 1% interest in that. And you said from 1% interest in all the farmland in the United States, pay me -- pay our group, let's see, pay us a bargain price, $25 billion. I'll write your check this afternoon, $25 billion. Now I own 1% of the farmland. If you tell me you own 1% of the apartment of houses in the United States, and you offer me a 1% interest, I"ll have 1% interest in all the apartment houses in the country, and you want, whatever it may be, for another $25 billion or something, I'll write you a check. It's very simple.

Now if you told me you owned all of the Bitcoin in the world, and you offered it to me for $25, I wouldn't take it because what would I do with it? I have to sell it back to you one way or another. I mean maybe I'm insane, people, but it isn't going to do anything. The apartments are going to produce rental and the farms are going to produce food. And if I've got all the Bitcoin, I'm back where whatever his name was, who may or may not have existed was, if I've got it all, he could create a mystery about it, but everybody knows what I'm like. I mean, if I'm trying to get rid of it, people will say, "Well, why should I buy some Bitcoin? I mean, why don't you call a Buffett coin? Make your own or something, do something." But I'm not going to give you anything for it. And you'd be right incidentally. But that explains the difference between productive assets and something that depends on the next guy paying you more than the last guy got.

Now net, if you look at it, a lot of commissions have been paid. And I mean, there's all kinds of frictional costs that are very real that somebody has paid to a bunch of people who facilitate this game. But whenever one group of the public is taken out or one group of owners has come in from other people. I mean, other people have entered the room and they move money around, but no money has -- there's no more money in the room, it just changed hands with a lot of maybe fraud and costs involved and a whole bunch of things you lose. You forget the numbers or forget the equation. They -- you can do that with a lot of things. I mean it's been done throughout history. Certain things have value that don't produce something tangible. I mean you can say a great painting probably will have some value 500 years from now, may not, but the odds are pretty good. But if it was a big enough name at some point, there will be a few things. I mean you can even find something. If somebody wants to sell you a pyramid or something and you can charge the dealers, it will be around a long time and won't produce anything, but people will find it interesting to go there because I've read about the pyramids.

But basically, assets, I mean that value, they have to deliver something to somebody and there's only 1 currency that is acceptable. And I'd say, I mean, you can come up with all kinds of things. We can put out Berkshire coins or we can put up Berkshire money or anything like that. But we get in trouble, I guess, if we call them money. But in the end, this is money. And there's no reason in the world why the United States government, whose currency people prefer literally, there's 2.3 -- just under $2.3 trillion, just of these little pieces of paper floating around some places, 7,000 for every man, woman and child in the United States and of course, most of them probably are in the United States, who knows.

But this is the only thing that's money. And anybody that thinks the United States is willing to change to where they let Berkshire money replace theirs is out of their mind. I mean -- so anyway, with those few deficiencies, you can -- whether it goes up or down in the next year or 5 years, 10 years, I don't know. But the one thing I'm pretty sure of it is that it doesn't multiply, it doesn't produce anything. It's got a magic to it. And people have attached magic to lots of things to gold on Wall Street, it's pretty magic. We are not an insurance company. We're a tech company. Well, we're an insurance company, but a dozen people or so have raised a lot of money. They just said, just don't pay any attention to the fact that we sell insurance. We are a tech company. In the end, they brought insurance and overwhelmingly, they've lost a lot of money since then. You can make up things that work well and getting money from other people, and that's why...

Charles Thomas Munger
Executive Vice Chairman

I have a slightly different way of looking at it.

Warren E. Buffett
Chairman, CEO & President

I'll sell you something.

Charles Thomas Munger
Executive Vice Chairman

Oh well, in my life, I try and avoid things that are stupid and evil and make me look bad in comparison with somebody else, and Bitcoin does all 3. As -- in the first place, it's stupid because it's very likely to go to 0. I say it's evil because it undermines the Federal Reserve system and the national currency system, which we desperately need to maintain its integrity and government control and so on. And third, it makes us look foolish compared to the communist leader in China. He was smart enough to ban Bitcoin in China with all of our presumed advantages of civilization, we are a lot dumber than the communist leader in China.

Warren E. Buffett
Chairman, CEO & President

Yes. And when 25% of the people in the country get mad because we've said what we've said today, just remember Charlie spoke last and was the boss. The one development that I really do think it's actually important, but I don't know anybody doing anything about it. But I would -- my general sense that there's no way to prove it. But I essentially believe people are now behaving somewhat more tribal than they have for a long time. And I mean, people are always going to be partisan and they're going to have religiously, they're going to have more kinds of things. But it gets pretty tribal. And I want to tell you, I speak from experience because I've been tribal and we're confessing today. And the basket -- football is tribal. And when I watch a television set, and I see our guys step Nebraska, step it out of bounds by a foot, but some of the ref misses it and calls it in, and then they show 6 replays, I'll continue to believe it was in even though it's right in front of my eyes that they stepped out. That's tribal behavior. And it's fun, I mean, to participate in. But I guess it can get very dangerous when people -- one group of people say 2 plus 2 is 5 and another say it's 2 plus 2 is 3. And they're going to give you those answers if you call them. And the interesting thing is, to me, at least partly because of my age, but I actually think that just from memory that the last time that the country was seen as tribal was actually when I was a kid and Roosevelt was in. Either you hated Roosevelt or you loved him. I mean nobody cared about the fact that [indiscernible] was running or when [indiscernible] against them. They just have these feelings. They either have Roosevelt's picture on the wall and named their kids after Roosevelt or they hated him. And they thought he was going to a third term, I mean a million things. And the country was very, very tribal in the '30s, but Roosevelt's tribe was bigger. And in my opinion, he did some wonderful things, but I have to grow up in a household where we didn't get served dessert until we said something nasty about Roosevelt, that would be fun for me. And believe me, if you don't get dessert, you're going to say something to ask me about Roosevelt. So we get trained, I'm young and I'll try, I guess.

And so I've been -- I've seen -- I think I've seen a period that -- it wasn't that way when [indiscernible] running against Stephen Sender or whatever it might be. I mean people, they did -- they had a partisan behavior and they had a certain amount of tribal or old ways, but I think that I don't think it's a good development for society generally when people get tribal regardless in that behavior.

Charlie, what tribes are you a member of though?

Charles Thomas Munger
Executive Vice Chairman

Well, in California, we have a legislature which is completely gerrymandered, so nobody can ever be thrown out by the voters. And therefore, the only people in the legislation are insane rightists and insane leftists. And they get together every 10 years, and there's usually 6 moderate somewhere in the legislature. And so they rejigger all logistics to throw them out because neither probably can stand them. That is the government in California.

Warren E. Buffett
Chairman, CEO & President

And you live there, and you have to go back?

Charles Thomas Munger
Executive Vice Chairman

Yes. Yes.

Warren E. Buffett
Chairman, CEO & President

I'm sure you are...

Charles Thomas Munger
Executive Vice Chairman

Can I prefer living there, they're living in Russia. Okay. Who haven't we gotten in trouble with? No, -- who was it? Let me, Bruce, you can say, is there anyone I've forgotten to offend? The Section 10, I believe.

Unknown Attendee

Hello, Mr. Buffett and Mr. Munger. My name is [indiscernible] I'm from New Jersey, and I'm currently a freshman at Rutgers University. You knew quite early on that you wanted to be investor, and you've obviously been amazing at it. What advice would you have for someone who's still trying to figure out what they want to focus on and find their calling?

Warren E. Buffett
Chairman, CEO & President

Well, that is it is a very interesting question because I got -- I was very, very lucky in that I found what I wanted to do because my dad happened to be in the business that he wasn't interested in, but they had some books down there. And I love my dad and I go down, read the books and it interested me. And I'm glad it wasn't a professor or professional boxers, I mean, I wouldn't have any teeth left. It was accident, just totally accident.

But I do think you know it when you see it and it doesn't mean you can follow it, I would tell the students and wrote them the report. I mean, find out what you love doing. I think you spend most of your life doing it. And why in the world would you want to be around for a lifetime working with people that you didn't like unless you have to, which sometimes happens. And just work for whomever you admire the most.

And I gave the talk at Stanford one time and somebody showed up at Tom Murphy's office, I think, a couple of days later, I mean, that person was right. And of course, it's what I did when I got out of school. I wanted to work for Ben Graham. I mean, I just -- I didn't care what I got paid, it didn't -- it just is I just knew that, that's what I wanted to do, and then I pestered him for 3 years, and he finally hired me.

And then I found somebody else who I've even rather work for the Ben, who happened to be myself. So I've been working for myself ever since. But I worked -- I had about 4 bosses in my life. I have to look in journal what the -- names lost in my mind at the moment, he was a wonderful boss. There was Cooper Smith at JCPenney's here in Omaha and they all were wonderful people. But I said if I were working for myself, and of course, Charlie and I both worked for my grandfather, and we just didn't -- we didn't find it that interesting but -- I don't remember how -- why you ever decide to go to work at the store? Charlie worked there in 1940.

Charles Thomas Munger
Executive Vice Chairman

Well, I worked just for the experience of working. I didn't need the money, my father gave me a handful of allowance and I also had a private business. So I was kind of working as a lark in your grocery store.

Warren E. Buffett
Chairman, CEO & President

12 hours a day?

Charles Thomas Munger
Executive Vice Chairman

Yes.

Warren E. Buffett
Chairman, CEO & President

For lark?

Charles Thomas Munger
Executive Vice Chairman

Yes. As a lark. Yes.

Warren E. Buffett
Chairman, CEO & President

You consider that a good investment of your time? I was looking back on.

Charles Thomas Munger

Executive Vice Chairman

Well, I'd never done it before, and I wanted to have a little of that experience, and I wasn't going to do it very long.

Warren E. Buffett
Chairman, CEO & President

That sure as hell wasn't the reason I worked.

Charles Thomas Munger
Executive Vice Chairman

But I can give a young lady the advice, figure out where you're bad at and avoid all of it.

Warren E. Buffett
Chairman, CEO & President

Yes.

Charles Thomas Munger
Executive Vice Chairman

That's the way Warren and I found our profession.

Warren E. Buffett
Chairman, CEO & President

Absolutely.

Charles Thomas Munger
Executive Vice Chairman

We failed at everything else.

Warren E. Buffett
Chairman, CEO & President

We worked at everything until we found the ideal employers, ourselves. And that was a -- that was something we really admire.

Charles Thomas Munger
Executive Vice Chairman

Wanted work for somebody you admire. The only one he knew was what he was shaving because he never shaving.

Warren E. Buffett
Chairman, CEO & President

But it isn't bad advice. It isn't bad advice. I mean who wants this -- I think I got an option. I mean if you're -- Charlie went into the service and whatever year was in the '40s and he didn't really have a choice of who he's going to work for. And as I remember, it didn't really work out that well. You worked for, Charlie, does it?

Charles Thomas Munger
Executive Vice Chairman

Well if you stop to think about it, 2 things that neither one of us has ever succeeded at. One, we've never succeeded anything that didn't interest us, right?

Warren E. Buffett
Chairman, CEO & President

Right.

Charles Thomas Munger
Executive Vice Chairman

And we've never succeeded anything that was really hard, where we didn't have a bunch of opportunities for it.

Warren E. Buffett
Chairman, CEO & President

Yes. And we've been doing whatever we play -- I mean -- and we get -- we have fun in our way.

Charles Thomas Munger
Executive Vice Chairman

I'm just amazed. You think if you're smart, you could do things that don't interest you well, but you can't.

Warren E. Buffett
Chairman, CEO & President

Well, I certainly got a lot of examples in my own case, but we won't get into them here. And we will go to Becky.

Rebecca K. Amick
Director of Internal Auditing

This question comes from Foster Taylor in Tulsa, Oklahoma. He said he recently listened to the Berkshire Hathaway 2008 Annual Meeting, where you talked about global oil production. At the time, you talked about major ramifications of global oil production went below 85 million barrels in 25 years. We're at the 14-year mark and global oil production looks to be 79 million barrels. At the same time, we're depleting our strategic oil reserves. Should the United States be doing something differently? And do you see consequences to these actions in the next 10 years if we do not become more proactive?

Warren E. Buffett
Chairman, CEO & President

Charlie is the expert on oil.

Charles Thomas Munger
Executive Vice Chairman

Well, but its strange that Samuel Johnson said it's hard to determine the order of precedency between a louse and a flea. It's hard to tell which of us is more incompetent in oil.

Warren E. Buffett
Chairman, CEO & President

We're still competing.

Charles Thomas Munger
Executive Vice Chairman

I have a different view on this subject. I like having big reserves of oil. If I were running the [indiscernible] for the United States, I would just leave most of the oil we have here, and I'd pay whatever the Arabs charge for their oil and I'd pay it cheerfully and conserve my own. I think it's going to be very precious stuff over the next 200 years. And so -- and nobody else has my view, so it doesn't bother me, I just think they're all wrong. But at any rate, that is not the normal view.

Warren E. Buffett
Chairman, CEO & President

And we've been pretty flexible in our own view. I mean, actually, the Federal government is serving up how many billion barrels of the stuff that -- into the economy? It was not long ago that the idea that anybody produced a barrel of oil was somehow, -- something terrible. I mean just try doing but not 11 million barrels and then see what happens tomorrow. And it is something that everybody has a feeling on immediately. And this gets into a whole bunch of different tribes of sorts, and you offended awful lot of people if you talk in any way about it.

But in the end, I think at the moment, at least, most people feel that it's nice to have some oil in this country than not have it. And we're using a lot of it. And if we were to try and change over in 3 years or 5 years, nobody knows what would happen, but the odds that it would work well are extremely low, it seems to me. Charlie, why don't you say something more dramatic, so you'll be the one that offended the most people?

Charles Thomas Munger
Executive Vice Chairman

Well, you just have to think about it. The oil industry is being so vilified now. I can hardly think of a more useful industry more and I don't know about wildcatters, but certainly, the petroleum engineers, I know and the people who design our oil refineries and pipelines are some of the finest, the most reliable people I know. And I see very little trouble with the oil supply thing in the United States. So I'm basically in love with standard oil, so -- and I don't have this feeling that it's an evil crazy place. I wish the rest of the world worked as well as our big oil companies.

Warren E. Buffett
Chairman, CEO & President

Well, we better move on to Station 11. I'm not sure where the Station 11 is operated.

Unknown Attendee

Well, we're here. Greetings from the overflow room. My name is Glenn Tung, I'm a shareholder from New York. This is my 20th Berkshire Annual Meeting, and I'm delighted that we're able to once again be here in person. You 2 have brought tremendous joy to all of us through the years. And speaking personally, your wisdom has not only made me a better investor, but more importantly, a better happier person. It's a privilege and honor to thank you. So Warren and Charlie, thank you.

Charles Thomas Munger
Executive Vice Chairman

Well, that's my kind of a question.

Warren E. Buffett
Chairman, CEO & President

Yes, that's fine.

Charles Thomas Munger
Executive Vice Chairman

Let's have more of those. Might you say it again. I mean.

Warren E. Buffett
Chairman, CEO & President

Maybe you could sign it.

Unknown Attendee

Maybe I should quit at this point.

Warren E. Buffett
Chairman, CEO & President

Glenn, go to it.

Unknown Attendee

My question relates to share repurchases. Since you started buying back Berkshire shares in size 2 years ago, the repurchases have ranged between 1 billion and 3 billion per month. By my estimate, it appears that the buyback rate is about 3 billion per month, when Berkshire is trading at a 20-or-so percent discount to intrinsic value, 2 billion per month at about a 10% discount and 1 billion per month at a 0 to 10% value, do I have that about right and approximately right? And do any other factors influence the rate of share repurchases?

Warren E. Buffett
Chairman, CEO & President

Well, after you were so nice in your introduction, I have to say that you're actually wrong in the -- and if somebody offered us $50 billion worth of stock at a certain point in the last 3 or 4, 5 months, we could taken it. It's that simple. And as I mentioned earlier, we haven't bought any stock in April. It's something that when we can do it, and we know -- at least I think the probabilities are very high, but certainly believe it in terms of our own and evaluation and our own investment.

We think that we're improving things for the remaining shareholders. We'll buy it back. And if we don't, we don't buy it back. And if we have the choice of buying businesses that we like or buying back stock, controlling factors how much money we have, we'd rather buy businesses. And so it isn't -- we don't want -- we don't stay awake at night, working out formulas or anything of the sort. But we don't ever do it if we think that we're not doing something at the time. If we had a lemonade stand and Charlie and I and you owned it, and the lemonade stand was making us about a $1 a week or something, and we divided it up and you said you wanted to get out, and he's had one number, which have the funds in the -- our little lemonade company, we'd buy you out. And if we didn't like the price, we wouldn't buy you. It's the same way we feel we don't. But we do feel an obligation to do things that we think are intelligent and in no way risk, absolutely, no way and present any risk of financial problems under any circumstances we can envision that maybe something like nuclear war. We'll do it, but it never can be that big a factor. Certain companies, well, Charlie spoke the other day of [indiscernible] I think he bought back 89% of the the company over time. And he sold stock like crazy or issued it much earlier when it was overpriced. And they bought it back underpriced. But the key to that, of course, is having people think you're wrong in doing it. So he was able to buy a ton of it. And there are some other companies that have bought a ton of it. And Berkshire has got to get the chance to do that because we -- if people think we're buying, we've got sensible shareholders is what it amounts to. We've had the same group of shareholders that own today puts and they were our shareholders, we'd buy back the whole company in a very short period of time. But it's such an easy concept to assess. I mean, the second stock I bought was City Service preferred, that was the first one. Second stock I bought was a company called Texas Pacific Land Trust. And that came out of the bankruptcy of the Texas and [indiscernible] back in the 1880s or something like that, and that's 3 million some acres and they own the minerals and they own the surface and everything else, but it was terrible land in the 1880s. But they had some kind of a charter that said that use the proceeds from land. Whatever it was that we're going to buy in stock every year. And I sat there when I was 13 or 14, and I figured if I lived to be 100, I would own the whole place. Well, I haven't lived to be 100 yet and I didn't buy the whole -- I wouldn't have bought the whole place, so both calculations are so far imperfect. But it's been a remarkable company.

Just plain remarkable because they would talk about raising fees of $6,000 a year or something like that, maybe when they had 3 million acres. And then I think I'm finding oil and more oil and more oil and they've changed the form and all kind of things, but they bought in stock week after week after week. And I sat and figured out how long it would take until I owned the whole company. And I obviously made some improper calculations if it's going to work that way. But it still was apparent to me. It will be a very good idea if they had 3 million acres down there. They got all through with it and they kept all the mineral rights and all kinds of things, which they were doing at a very cheap price. It ought to work out well for anybody who sat around for a long time, and it has worked out extremely well for anyway, sat around a long time but nobody knew that they were going to find a lot of oil. And eventually El Paso would grow out far enough so that the surface lands became worse some money. They were somewhat near El Paso then you had to go a couple of hundred more miles to find the next person, but that was another problem.

So it's just those -- some of the stuff are so simple, but people want to get their PhD or something. So they work on hundreds of pages and have lots of Greek letters and all that sort of thing. And either you're buying out your partner at an attractive price or you're not buying him out of it [indiscernible], if you got the money around to do it, and the prices attract you, you don't have some other opportunities. Why not -- he got to come out ahead by doing it. And if certain other -- if you've got other things that are more intelligent, you don't do it. And if it isn't intelligent on an absolute basis, you also don't do it. Charlie, you got anything to add to the -- what were you doing in 1940? You were in the service...

Charles Thomas Munger
Executive Vice Chairman

We'd be crazy if we didn't rather enjoy having come a considerable distance from small beginnings. And to do that in good company, it's a flavor in life. We've been very fortunate.

Warren E. Buffett
Chairman, CEO & President

Yes. And Tomorrow, Monday, I can tell you, it's almost certain that if anybody offers us well, nobody shares trade at Berkshire, then we won't buy any of it. But it's also a pretty fair chance someday a lot of shares, quite a few share, not a lot, Berkshire's got the -- our shareholders are too smart, that's one of our problems that's why we want to repurchase shares. But we really don't want to squeeze it. We don't want to squeeze out anybody, but we also are here to do things that increase the value to the people who stick with us. I mean it's not very complicated. And we'll get -- well, there'll be times when we'll do it, and there'll be times when we won't, but it won't -- there won't be any formula, but there will be the principles that I've just expressed.

And my guess is that my successor and their successor will have a similar calculation because we're looking for people who are rational and devoted to Berkshire. So Ben, thanks for coming, and Becky, you're next.

Rebecca K. Amick
Director of Internal Auditing

This question was sent in by Dave Shane from Brooklyn, New York. He's responding to something he heard earlier today. He said, in the future, will Greg be able to act with the same spontaneity that you mentioned earlier and make immediate multibillion-dollar decisions without board approval?

Warren E. Buffett
Chairman, CEO & President

Well, my guess is that the Board, it's just -- they respond as people do, they'll be -- they'll put some more restrictions or they'll have some more consultation on a lot of matters that, that or some matters than they do with me. I mean they won't need to, but they'll feel that they haven't had the experience, they haven't seen them as long and there are a whole bunch of things and they feel that the Delaware laws protects them better. And that's the only thing, they don't have directors and officers liability insurance. I mean virtually every company on the New York Stock Exchange has it, and we just don't buy it.

I mean to come on the board and your trustee for all a bunch of people would trust you and me. I'm talking about the directors and me. Why is that -- but it's very interesting, people go on museum boards and they're expected to contribute, people who are on college boards and they're expected to contribute money. And they say it's a great honor to be on a university board or museum board or whatever, it's a great honor, and therefore, you should raise money for us. Well, frankly, I think our Board is more interesting being on the University Board or a hospital board or something -- I wouldn't know what they were talking about any way on a museum board or an art board.

So in -- but people have found that they can make $300,000 a year, which is way more, which is enormously important to some people and is meaningless to others. And I mean chances are if somehow they had arranged it so that directors didn't get paid at all, there'll be plenty people who want to be directors. I don't get prestige or sort of thing and all that, but in the fact that it's money that comes very easily. I did -- the whole idea of the independent director, frankly, is it just doesn't really make any sense.

Charles Thomas Munger
Executive Vice Chairman

You don't think a director is independent who needs $300,000 a year?

Warren E. Buffett
Chairman, CEO & President

He needs the money, yes.

Charles Thomas Munger
Executive Vice Chairman

He's independent the way a slave is independent.

Warren E. Buffett
Chairman, CEO & President

I am going to read a few sentences, which are absolutely the case, except I'm doctoring this, just -- I don't want anybody to be identified, obviously, with this, and these are just -- but these are word for word excerpts, I'm not telling whether it's a woman or a man, I'm going to use a male pronoun because it's just because it's easier. But I picked out a few sentences from a letter I received many years ago. And this letter said, "I'm writing to you with a great deal of reluctance in the sense of personal embarrassment. I have tried all of the conventional means of raising the money." This person needed a couple of million dollars. And I wouldn't know the person if I saw him on the street. But he wrote this letter and said I need a couple of million dollars. And then this is the item that I think you might find interesting and I've kept the letter. "my income is composed 100% of my board fees." Well, yes, I just looked him up and at the time, he was a Director of 5 prestigious companies, and he'd been directors of others and directors -- he is going to be directing a whole bunch of things. But he was desperate for money, and he says, "I'm getting 100% of board fees." And he was an independent director. He classifies as an independent director at every one of these companies.

And it's just astounding to me that, we're going to have a shareholder meeting in just a couple of minutes, we're going to start it. And it's just astounding to me that in 2006, we owned 9% of the Coca-Cola Company. I mean maybe they gave me a free Coke, I mean -- but we own 9% of Berkshire Hathaway. We can obviously cared about the Coca-Cola Company. And this still happened in that year, Calpers and a few others have recommended that we be voted against or something or other. And at one time, there were 2 big institutional investor that voted because they didn't think I was independent because Dairy Queen bought some Coca-Cola or actually the people with our franchises want some Coca-Cola. I mean, do they think I can add things and if we've got billions and billions and billions of dollars that I'm going to be compromised, but it's just nutty.

And so 1 year, my vote fell from 96%, maybe it was 98% vote approval to 84% because I forgot whether it's 2004 or 2006, somewhere along the line, they just decided that I wasn't the right sort of person to be able to handle these responsibilities. And the idea that somebody is an important part of their income, I mean what they want, they may want to do a lot of other good things, it doesn't mean they're troubled people. But if the difference is whether you -- how you live and in this case, whether the person might go broke, how in the world you can call somebody like an independent and say that anybody owns a lot of -- so you're not Walter Scott, so yeah, not independent or maybe it's just ridiculous. But it's the way the rules are, and we will -- we follow the rules, but...

Charles Thomas Munger
Executive Vice Chairman

Well, they don't want them just independent. Now they want 1 horse, 1 rabbit, 1 cow, 1 whatever.

Warren E. Buffett
Chairman, CEO & President

I mean I feel like...

Charles Thomas Munger
Executive Vice Chairman

Independence is not enough. You got to have a very diverse kind of independence.

Warren E. Buffett
Chairman, CEO & President

Yes. Yes. And if you desperately need the money, in this case, 100% of the income coming from it, you're on 5 of the most prestigious boards in the country. And classify as independent on each and other -- and all you're hoping is that if your CEO gets called, we can buy another CEO and says, is this guy, okay? And you say, of course, he's okay, which means, of course, he doesn't cause trouble. And so I guess on a sixth Board.

Charles Thomas Munger
Executive Vice Chairman

It's not our idea of an independent director.

Warren E. Buffett
Chairman, CEO & President

It's all a little crazy, which brings us to the fact that we're not going to have our annual meeting here and about 15 minutes we'll reconvene it. 3:45, and then we'll do the business of the meeting that is required. And you're all welcome to stay and it's very -- okay. Turn out the lights.

Unknown Attendee

Thus ends the afternoon session of this year's Berkshire Hathaway meeting. Warren Buffett and Charlie Munger just finishing a second 3-hour session talking to shareholders, taking questions.

In about 15 minutes, the formal business meeting will begin, the shareholder meeting. We will take you there when it happens. Becky will be back with us shortly as well. cnbc.com's Hugh Son is back with us, too. We'll get to him. Actually, let's just talk about some of the headlines that were generated in the last couple of hours here. Here for one thing, we find out that Warren Buffett himself had decided to take a fairly large stake in Activision after the Microsoft deal to acquire the company was announced, 9.5%-or-so position. That's clearly -- as he described it virtually an arbitrage, basically just the bet that the deal gets closed, prevents -- presents a nice return, cash return if, in fact, that deal happens.

And then, of course, a lot of comments on inflation, really just saying so much money being thrown into the economy seems to be behind this rush of inflation. Warren Buffet saying that it needed to be done most likely, but this is one of the results. And then finally, Hugh, some relatively sharp edge comments as we've come to expect on crypto, including Warren Buffett saying, he wouldn't buy all the Bitcoin in the world if you offered it to him for $25

Unknown Attendee

Yes, Mike, really curious because I would take it for $25. So he likes productive assets. He likes farmlands. He likes equities with dividends, that type of thing. On the other hand, he holds more than $100 billion cash. And when it comes to money, he only thinks the green paper is money. And so that's -- I think he's sort of rigid wolf views is no surprise to anybody. He's called it a rat poison squared, Munger thinks it's evil and going to 0, I think those are some of the headlines today. So there was a surprise from these 2 that they haven't changed their view. However, just really quickly, I mean the U.S. is not going to pull a China and ban Bitcoin and ban crypto, that's pretty clear. And so I would argue that their view on crypto is overly rigid at this point in the game.

Unknown Attendee

Well, and actually, by admission to a degree because Warren kept joking that 1/4 of the people out there are going to take offense and hate them for these comments. So there's some recognition that they're out of tune with this part of the markets, if you want to consider them part of the overall markets. But that it just simply doesn't conform to any definition of either a productive asset or a cash instrument that is sanctioned by a government and where you could pay your taxes with.

Unknown Attendee

Yes. Look, I mean, we're in the process of determining that. Clearly, Biden has a task force that is tasked with creating a regulatory framework where this is actually going to be something that they discuss over the years. On the other hand, you can look at the other headlines, you just talked about inflation, the pervasive nature of its impact on stocks, bonds and the ability for companies to be productive and earn a margin.

I would say that the real takeaway, if you look at the full scope of what he said, there isn't a lot of new news here. And at the same time, not a lot of bullish discussions about what the economy is doing this year. He's obviously always big on the U.S. economy over the long term. What he's been a little bit more mum on is sort of the short-term and near-term prospects of companies during a time of high inflation of increasing costs and increasing pressures on everybody from consumers to businesses, to investors. So I really think that you need to take a look at this. And if you look at this discussion a year or 2 in the future, you might think that potentially, he see storm clouds on the horizon and doesn't really want to dwell on that too much.

Unknown Attendee

Yes. It could be pretty much a shortage of direct economic color about the outlook. We do, though, have the specific sound bite of what was said about crypto. Why don't we hear that now?

Warren E. Buffett
Chairman, CEO & President

Whether it goes up or down in the next year or 5 years, 10 years, I don't know. But the one thing I'm pretty sure of is that it doesn't multiply, it doesn't produce anything. It's got a magic to it. And people have attached magic to lots of things.

Charles Thomas Munger

Executive Vice Chairman

In my life, I try and avoid things that are stupid, and evil and maybe look bad in comparison with somebody else, and Bitcoin does all 3. As -- in the first place, it's stupid because it's very likely to go to 0. And I say it's evil because it undermines the Federal Reserve system and the national currency system, which we desperately need to maintain its integrity and government control and so on. And third, it makes us look foolish compared to the communist leader in China. He was smart enough to ban Bitcoin in China, with all of our presumed advantages of civilization, we are a lot dumber than the communist leader in China.

Unknown Attendee

We do have Becky back with us. And interestingly, Warren actually went a step further and attributed some of the allegiance to Bitcoin to an increasing tribalism in the country. Essentially, it's my team, I believe, in Bitcoin. And if you're against it, I'm against you in a sense.

Unknown Attendee

Yes. I mean there's a fair point to that. I think he was speaking much more broadly than just Bitcoin, but you're right, he jumped that -- used that as a jumping off point for getting into that. And it's particularly interesting because he went out of his way to say that he didn't want to get political on things.

Really, in past years, they commented much more broadly on issues like taxes. In fact, I was surprised. I had questions ready to go, a lot of them on taxes. He said right before I was going to ask that question that he'd want to get into it, I gave it to try anyway and Charlie weighed in very briefly, but they are -- look, they insulted a lot of people knowing that they did it, everybody. I think you mentioned probably some not just Bitcoin, oil -- anybody who was attacking oil companies, the activists who are out there, talked about the passive index funds. They managed to insult to a lot of people, but I think they were being a little more careful to not get political, like very overtly so, and it's the first time I remember in a long time, where they really didn't stray into much from Washington.

Unknown Attendee

Not much at all in terms of policy for sure, and they seem content to just say, there are extreme extremes on both sides. That's a divide, that's not helpful, but there wasn't a lot of position taking within it.

Unknown Attendee

Not at all. I mean -- and that's different. I mean it's -- I think he's edged away from politics over the last few years, and I think the tribalism answer is an explanation as to why. So it threw me for a little bit. I've got a lot of questions lined up and planned and I had to reshuffle as he was saying some of these things going through the meeting because it was not entirely what I anticipated or expected.

We did hear him talk about Activision. At one point where he was breaking news, trying to just tell us that this is a position that he's actually been taking. This was something, again, caught the room by surprise. He said he wanted to make some news, so he told the shareholders, everybody in the room that while it was one of the other managers who was originally buying Activision before the deal got announced, after the deal got announced, he was doing it, and he was doing it for arbitrage reasons.

Listen up.

Warren E. Buffett
Chairman, CEO & President

One of the things I bought, bought for a different purpose by a different manager months earlier, he want roughly 15 million shares of Activision. And I never -- I know about the company, but I would just see it at the monthly report. But then on January, I don't know, 17th or 18th, something like that, Microsoft announced they were going to buy Activision for $95 a share. Now when they announced that, at that point, Activision becomes a different kind of security.

Unknown Attendee

Okay. So this is interesting. In the extended comments, he went out of his way again to say, "Look, this wasn't because of anything, anybody told me." He didn't have any conversations with anyone. It was just something he was reading like he read something that looked at the stock prices, it was trading well below. And as he watched to do it, I think he just has a little bit of fun. Again, he used to play.

Unknown Attendee

Absolutely. I mean, in his view, if you actually believe it gets regulatory approval and it gets acquired at $95 a share in cash, the market is leaving a lot of money on the table. So he's willing to take that risk. It's an insurance type risk in a way. I mean you just figure out what the probability is if it falls through or not? And if it doesn't fall through, it's $20 a share in upside basis.

Unknown Attendee

Right. So the other big issue, of course, we're just a few minutes away from getting into the formal business meeting at this part is what they have been talking about in terms of some of these proposals that are coming. The proposal, one of them that they talked a lot about comes from the National Legal and Policy Center. It calls for the roles of Chairman and CEO to be split, which would effectively strip Buffett of his Chairman's title. CalPERS has said that it supports this proposal, that's why it's gotten a lot of news because CalPERS obviously has a lot of stocks. But Munger had some pretty stern words for those calls for Buffett to lose his Chairman title, if he remains a CEO. Listen in.

Charles Thomas Munger
Executive Vice Chairman

And we get all these suggestions from index funds, a letter saying, Chairman and the President or the Chief Executive Officer are the same person, and that they have some professors somewhere, the things that American businesses work better as a separate if one gets -- against [indiscernible] 2 and have each half work.

And to me it's the most ridiculous criticism I ever heard. Like who would like to -- well, Odysseus would come back from winning the battle in Troy and so forth and some guy was "Hey, I don't like the way you were holding your spear when you won that battle." And it's some guy that's never run any business and doesn't know anything. I don't think too much of this activity.

Unknown Attendee

Well, there's Charlie Munger for you. Succinct as always, direct as always, a lot of mincing words, and we heard a lot of that today. Right now, we're getting ready for that formal meeting. It's coming up in just a moment here, but let's get you right over to that live. And Mike, thanks. It's been fun.

Warren E. Buffett
Chairman, CEO & President

Waiting for this because once or twice in the past, he was caught on camera sleeping. So we solved that one.

And we're now going to have an Annual Meeting where I follow a script. And you may think that's impossible, but I'll do it. So, the meeting will now come to order.

I'm Warren Buffett, Chairman of the Board of Directors of the company. I welcome you to this 2022 Annual Meeting of Shareholders. Marc Hamburg is Secretary of Berkshire Hathaway, and he will make a written record of the proceedings. Rebecca Amick has been appointed Inspector of Elections at this meeting, and she will certify the count of votes cast in the election for Directors and the motions to be voted upon at this meeting. The named proxy holders for this meeting are Greg Abel and Marc Hamburg.

Does the Secretary have a report of the number of Berkshire shares outstanding entitled to vote and representative of the meeting?

Marc David Hamburg
Senior VP, CFO & Secretary

Yes, I do. As indicated in the proxy statement that accompanying the notice of this meeting that was sent to all shareholders of record on March 2, 2022, the record date for this meeting, there were 614,692 shares of Class A Berkshire Hathaway common stock outstanding with each share entitled to 1 vote on motions considered at this meeting and [1,287,632,719] shares of Class B Berkshire Hathaway common stock outstanding with each share entitled to

110,000th of 1 vote and motions considered at this meeting. Of that number, 423,719 Class A shares and 759,159,354 Class B shares are represented at this meeting by proxies returned through Thursday evening, April 28.

Warren E. Buffett
Chairman, CEO & President

Okay. And I will interrupt this meeting for one second to announce that we're still selling things next door and we've sold 15 boats. So, with that brief commercial and if anybody leaves I will not be offended. Thank you. The number represents a quorum and we will, therefore, directly proceed with the meeting. The first order of business will be a reading of the minutes of the last meeting of shareholders.

I recognize Ms. Sue Decker who will place the motion before the meeting.

Susan L. Decker
Independent Director

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

Warren E. Buffett
Chairman, CEO & President

Do I hear a second?

Rebecca K. Amick
Director of Internal Auditing

I second the motion.

Warren E. Buffett
Chairman, CEO & President

The motion is carried. The next item of business is to elect Directors. If a shareholder is present who did not send in a proxy or wishes to withdraw a proxy previously sent in, you may vote in person on the election of Directors and other matters to be considered at this meeting. Please identify yourself to one of the meeting officials in the aisles so that you can receive a ballot.

I recognize Ms. Decker to place the motion before the meeting with respect to election of Directors.

Susan L. Decker
Independent Director

I move that Warren Buffett, Charles Munger, Gregory Abel, Howard Buffett, Susan Buffett, Stephen Burke, Kenneth Chenault, Christopher Davis, Susan Decker, David Gottesman, Charlotte Guyman, Ajit Jain, Ronald Olson, Wally Weitz, and Meryl Witmer be elected as Directors.

Rebecca K. Amick
Director of Internal Auditing

I second the motion.

Warren E. Buffett
Chairman, CEO & President

It's been moved and seconded, the 15 individuals named in Ms. Decker's motion be elected as Directors. The nominations are ready to be acted upon. If there are any shareholders voting in person they should now mark their ballot on the motion.

Ms. Amick, when you are ready, you may give your report.

Rebecca K. Amick
Director of Internal Auditing

My report is ready. The ballot of the proxy holders in response to proxies that were received through last Thursday evening cast not less than 449,190 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 place with the minutes of this meeting.

Warren E. Buffett
Chairman, CEO & President

Thank you, Ms. Amick. 15 nominees have been elected as Directors. The next 4 items of business relate to 4 shareholder proposals that are each set forth on the proxy statement that can be accessed at berkshirehathaway.com. The first proposal requests that the company adopt a policy and amend the bylaws to require the Chair of the Board of Directors to be an independent member of the Board. The Directors have recommended that the shareholders vote against the proposal.

I will now recognize Peter Flaherty, a representative of National Legal and Policy Center to present the proposal.

Peter Flaherty;National Legal and Policy Center;Chairman and Chief Executive Officer

Good afternoon. I am Peter Flaherty, Chairman of the National Legal and Policy Center. I'm from Washington, D.C., but please don't hold that against me. Our proposal would separate the roles of Chairman and CEO. Sorry, Charlie, but I would take it one step further and suggest that Berkshire remove itself from corporate America's assault on American institutions and culture. I'm proud to say I'm a capitalist, but it is obvious to me that capitalism is failing to deliver for the American people.

Real wages have been falling for years. Wealth disparity has never been greater. And right outside my hotel window here in Omaha is a homeless encampment, an all-too-familiar sight in American cities. We don't have a free economy. We have bailout capitalism. When small businesses lose money, they go out of business. But when billionaires bet wrong, government steps in.

Money printing by the Federal Reserve and irresponsible, debt-fueled spending by politicians, what they call fiscal stimulus, have artificially inflated asset values. So, those with the most assets benefit the most. Wage earners get ruinous inflation. But even worse than the wealth gap is the values gap. The top 1% now seek to impose their corrupt morality upon the rest of us, whether it's in the form of Critical Race Theory, transgenderism and -- or the myriad of other woke causes that permeate corporate advertising and messaging.

Why has corporate America embraced both the economic and cultural radicalism? It's pretty simple. When you have so much money, your fortune is going to come under scrutiny. The best way to insulate yourself and keep anti-business off your back is to embrace their causes, even if in the process, you undermine the system that produces your wealth. That is what allows Mr. Buffett to advocate for higher taxes, even though they will fall in the middle class.

The Federal Reserve has offered free money to corporate America for over a decade now, creating a class of oligarchs and greatly enhancing corporate political power. Executives now believe that they can tell elected governors and legislators what to do, as we've seen in Indiana, Georgia, Texas and Florida. Last year, Coca-Cola CEO, James Quincey, a [British] citizen, sought to kill George's new voter integrity law by making inaccurate and inflammatory statements about it. He also instituted diversity training whereby white employees were encouraged to try to be less white.

Despite being Coke's most celebrated shareholder, Warren Buffett has done nothing about Quincey. In fact, Mr. Buffett jumped on the America is racist bandwagon by signing a statement by corporate leaders, suggesting that Republicans seek to restrict ballot access based on race. All this did not prevent Coke from sponsoring the Winter Olympics in China, which has never had a free election and where minority communities are the victims of genocidal policies.

And what about Apple? A large part of Apple's supply chain is in China. The company removes apps from the app store at the request of the Chinese government because they are used by human rights activists. And of course, Apple is the world's most successful corporate tax minimizer, famous for routing profits through offshore tax shelters. Over at American Express, the company instituted an Anti-Racist Initiative for employees that teach us that capitalism is fundamentally racist and requires workers to engage in an exercise to determine whether they are the oppressor or the oppressed.

Activism by woke CEOs may be reaching its limits. The people of Florida are fighting back against Disney's Robert Chapek, who not only embraces the view that gender is a form of impression, but that kindergartens must be forced to confront it. Mr. Buffett has praised the brand endurance of Disney's characters and the trust parents place in its content to be safe and appropriate for children. But now the company is adding warnings to Dumbo, Peter Pan and Aladdin, about the stereotypes they allegedly portray. And poor Prince Charming has been excised for kissing Snow White, quote-unquote without consent.

Warren Buffett is yet to address the crisis gripping corporate America and I fear he never will. Yes, Berkshire may be a holding company, and Mr. Buffett may stay out of the way of managers. But what happens when these executives use their companies to wage a social revolution that most Americans don't want. Is he not responsible? He can't have it both ways. In this country, wealth has been admired and even celebrated because our system allows anyone to become rich. But what happens when Americans suddenly find their history and future under attack by corporate America. The social compact that permits such affluence will be broken.

Mr. Buffett, if you are the face of the capitalism, why don't you do something to save it. Thank you.

Warren E. Buffett
Chairman, CEO & President

Okay. Thank you, Mr. Flaherty. If there are any shareholders voting in person, they should -- now should mark their ballot on the motion.

Ms. Amick when you're ready, you may give your report.

Rebecca K. Amick
Director of Internal Auditing

My report is ready. The ballot of the proxy holders in response to proxies that were received through last Thursday evening has 72,298 votes for the motion and 421,181 votes against the motion. As the number of votes against the motion exceeds a majority of the number of votes of all Class A and Class B shares properly cast on the matter, the motion has failed. The certification required by Delaware law of the precise count of the votes given to the Secretary to be placed with the minutes of this meeting.

Warren E. Buffett
Chairman, CEO & President

Thank you, Ms. Amick. The proposal fails. The second proposal request that the company publish an annual assessment addressing how the company manages physical and transitional climate-related risks and opportunities. The Directors have recommended the shareholders vote against the proposal.

I will now recognize Tim Youmans, a representative of Federated Hermes to present the proposal.

Timothy Youmans;Federated Hermes;Lead-North America, EOS

I thank the Chair, the Board and fellow shareholders. I'm Tim Youmans, Lead-North America, EOS, at Federated Hermes here today to talk about ballot Item 3, a proposal that is cosponsored by Brunel Pension Partnership Limited, represented by EOS, Caisse de depot et placement du Quebec, California Public Employees' Retirement System and the State of New Jersey Common Pension Fund D on behalf of their combined millions of ultimate beneficiaries. EOS, CalPERS CDPQ cosponsored a similar proposal last year asking the company to commence climate-related risk reporting, which the company has not started.

The context for this year's parent company climate reporting proposal is, however, different in 3 ways. First, we've added New Jersey Common Pension Fund D. Second, we stand before this Annual Meeting of shareholders backed by in our estimate, the majority of non-insider votes cast at last year's annual meeting. We provided the company tally showing that the majority of non-insider votes cast supported last year's proposal, as Glass Lewis has also corroborated this result.

The company disagrees but has not shared its reasoning. Third, the parent company began engaging with the cosponsors this year, and the company recently published a supplement to the Chair's letter from Vice Chair Abel, discussing climate change matters in the company's energy and rail subsidiaries. Also, the parent company's Audit Committee has amended its charter to now include climate risk oversight.

We welcome the company's new engagement approach, Vice Chair Abel's supplement and the revised Audit Committee charter. However, these changes do not address in any meaningful way what last year's non-insider majority supported shareholder proposal asked for and what this year's ballot Item 3 asked for, which is that the parent company should a, commence annual climate-related financial reporting for its subsidiaries where material and for the parent company as a whole, following the recommendations of the task force on climate-related financial disclosures; b, explain how the Board oversees climate-related risks for the combined enterprise; and c, explore the feasibility of the parent company and its subsidiaries establishing science-based greenhouse class reduction targets.

Here is why all shareholders, including the non-insider shareholders who supported last year's shareholder proposal should once again this year, tell the Board to change course and support parent company climate risk reporting. Vice Chair Abel's supplement talks about emissions reductions. We ask the parent company to report on climate-related financial risks, not just emissions reductions as these risks may be material. Abel's letter also talks about emissions reductions in rail and energy, 2 of the 4 giants of Berkshire Hathaway as they are referred to in the Chair's Annual Letter.

What about climate risk and insurance. The company has 60 subsidiaries and more than a few large investment holdings. The company should disclose material climate-related financial risks beyond rail and energy in a composite parent company picture. We asked the company to allocate a small portion of its more than $100 billion in cash equivalents to climate risk reporting at the parent company level.

Climate financial risk may be significant, even material at the parent company. On Page K 26 of the 2021 annual report, the company states that climate-related risks could produce losses and significantly affect financial results. The company audit, however, is silent on climate risk. We have asked the auditor, Deloitte, to explain its inconsistency. We asked the Audit Committee to explain why Deloitte has not disclosed how it considered climate-related risks in its review of financial statements when the company itself disclosed this is a significant risk.

Investors representing $68 trillion in assets make up the Climate Action 100+ collaborative engagement on climate change. Berkshire Hathaway is the only major public company in the U.S., the only one to earn now for 2 years in a row, a score of 0 on the CA 100+ net 0 assessment of climate progress. The undisputed worst performer. This stands in stark contrast to Berkshire Hathaway's track record of usually strong long-term financial performance. In response to last year's non-insider majority shareholder vote, the company has made a start towards climate action. Much more is needed.

Vice Chair Abel is the named CEO successor. His annual meeting remarks both in 2020 and last year and his recent letter, show he has a solid grasp of climate risk. We ask Vice Chair Abel to commence climate risk reporting at the parent company level. This would give the company a head start in complying with the SEC's new proposed climate disclosure rules that ask for more disclosure than we asked for in Item 3. We ask all shareholders both non-insiders and insiders, including the Chair to cast their votes for Item 3 in support of parent company climate risk disclosure starting before the 2023 Annual Meeting. Thank you.

Warren E. Buffett
Chairman, CEO & President

Thank you. I do think it's worth discussing just a little bit. Who the actual -- the actual constituency is a public pension plans. It generally speaking, we hear from various pensioners, it's not limited to California in the least, but they're protecting their, they're the holders of the pensions and the retired people and all of that. And therefore, they're usually suggesting that something that we may or may not agree with in terms of whether it's actually in the economic interest. But they do -- and they honestly feel incidentally that they are representing the pension holders. People are getting -- going to get these checks every month now. They're getting them now. They may get them later. It's a very understandable position. But of course, in essence, that's not who they represent.

The people that are promised the pensions, whether it's in California or any other state in the Union, they're going to get their checks. It's obvious. The United States, American people, people in California are simply not going to stand to the fact that people don't get their checks. So, one way or another, they're going to get their checks. And the -- to the extent possible, the states will attempt to realize from the taxpayers of the state and the future of not funding, so they can pay their checks.

I mean that's why states have adopted pension plans and that sort of thing and many of the states upon their taxes to go up. I mean -- and in fact, no state government, public opinion in the United States, they're not going to allow people not to get their pension checks. And the state does have the right to tax income and property and various things of people within their state and they'll exercise the power or they look to the federal government for grants. So, they'll do anything, but the one thing they aren't going to do is [stiff] the pensioners.

So, you're probably representing, if you're on a public pension, you essentially are representing the future taxpayers of the state. Now, there's one problem about future taxpayers, they can leave the state. And it gets awkward in certain states, particularly when people start leaving the state because the revenue that goes with those people from income taxes and sales tax and so on. So, people have a fair amount of freedom of movement. They don't feel the same way about U.S. tax.

Not very many people are going to move from one place to another, but they may even be, in the United States, they move and it's gradual. Sometimes, it isn't so gradual. And of course, as the tax base goes down, the past pension stay. So, they become kind of like an aging steel company or something of the sort that whatever it may be, or the pension patents may be insolvent, but they're going to keep paying the people just like we're paying. We've adopted certain policies on multi-employer pension plans and so on in the company. The United States is not going to stiff a bunch of people, particularly people that bolt, but they're -- the moral feeling is to do it.

So, the real -- the people that are that the trustee should be worried about because they, of course, is the future taxpayers. And if they really mess things up, those taxpayers become more and more likely to leave and it has a lot of effects. Interestingly enough, one of the calculations that might go on in Berkshire's mind if we're going to build a plant someplace, it's going to sit there for 50 years is whether there are going to be any people around they're going to pay the tax and we can't move our plant.

So, all these invisible decisions go on all the time. And it -- I don't think there's anything wrong with representing the taxpayers of the future. I don't think there's anything wrong with setting out a pension board, but I do think they ought to actually figure out who really is they really are representing and they're representing future taxpayers. And in some cases, they're creating some tremendous problems for future taxpayers like politicians. I mean they've got promises they're going to fill, but they've got to do it from revenue that comes into the future and they can't print money and people can leave their states. So, it's an interesting set of problems.

And I can't resist mentioning, in 1991, you've seen that Salomon tape when Salomon was essentially might or might not have gone down the drain and hadn't had a bankruptcy, which was, in my opinion, would have spread like wildfire. And who knows what would have happened, just like in 2008 and '09, when Lehman fell on a few things. I mean, who knows what's going to happen after something like that. So, Salomon was bigger relatively by far than Lehman was in 2008 and '09. And on a Sunday in August, the Treasury department, the Securities and Exchange Commission, the Federal Reserve, all decided on a Sunday, there's something they did on Sunday morning really was a mistake and that they better change it on a Sunday or the whole economic system might go down the tubes.

And in this book, which we have for sellout here, the Trillion Dollar Triage, in the first early page, it describes that period. I didn't know some of the stuff that's in the book even that was going on. But essentially, the Federal Reserve, Alan Greenspan was brought in one time, Gerry Corrigan was there, Nick Brady was Secretary of the Treasury, they decided with various degrees of conviction, but they did decide because they had to decide by roughly 2:30 in the afternoon, whether something they did at 10:00, which was kind of unprecedented, they were going to reverse themselves.

Now, can you imagine trying to get institutions like a Treasury department to reverse themselves. But they did realize that they have probably done something that was going to cause a huge bankruptcy, which could turn into a whirlwind at Wall Street. So, they reversed themselves and tells the story in this Trillion Dollar Triage. And I knew some of what was going on. There was other parts I didn't know what was going on.

Anyway, all of those institutions reversed themselves very reluctantly, big institutions do not like to reverse themselves and particularly not 4 hours later when some guy from Omaha, let's say, if they do this, we're going to recur bankruptcy in Tokyo because we're going to have a multibillion dollar run and we can't pay it and Directors who approve preferential payments when they know the place is going bust, have all kinds of legal liability and the whole thing is falling apart. And to their credit, enormous credit, you basically had the Fed and the SEC, mostly, it was the Fed and the Treasury and they said, we just can't have this happen. It could produce a national catastrophe.

And for some weeks, we had about $130 billion or $140 billion of funding and the $130 billion or $140 billion was a lot of money in those days. We were 1 of the 3 or 4 largest borrowers in the United States. And we borrowed daily and we borrowed against government bonds. We had inventory there, but we only had $4 billion of equity and we have $130 billion. And there was a guy, a wonderful guy, John Macfarlane, he was the Treasurer. He slept down at the downtown offices, right near their offices of Salomon for days and days and days and days because $1 billion a day was draining out. That was a run on Salomon and it was a run that the Treasury and the Fed, the SEC did not want to have happened, they reversed themselves and everything.

And a few days into it, for whatever reason, but CalPERS was a big lender to us and they decided they weren't going to do business with -- with Salomon anymore. So, they were going to precipitate them. They were going to accelerate the running. And they announced one day that they've kind of approved what they already think was going on, but they just didn't want anything to do with us, even though we were giving them government bonds of security.

And this was accentuating the problems for the Federal Reserve, the U.S. Treasury and SEC. And no one knew how it was going to come out. But they pulled and other people pulled and John Macfarlane, stayed downtown and kept trying to raise $1 billion every day to pay all people in terms of ruling that was occurring and the Fed did not want this run to get out of hand, but they couldn't give us the money and the Treasury didn't want to run to get out of hand, but they couldn't give us money and so on and it was a terrible problem.

And CalPERS, like to say, they said, well, we don't want anything to do with these guys, so we won't lend on government securities, even though the loan is good. And then a little later, it was -- they sent word to me that if I would come out to California and talk to the people, the trustees, that the name would be considered. So, that was what they wanted as part of their deal not to cause or keep participating in this run and take a different position. They never would have done this for anything, except the fact that it was Salomon. I mean -- so basically, I got on a plane and I flew to California and I met with the CalPERS people. And I wasn't charging them anything. I've been charging them a lot of money that would have paid attention and they still paid attention. They were very nice to me when I went out there.

And I talked to them and they were happy and they clapped and they paid attention to what I said because I wasn't charging a big fee or anything of sort. And I went back to New York. And then they started doing business with us and they announced that really they had decided Salomon was fit to do business. So, I have a little bias in terms of when they come around and they presented a proposal, and they say that in their proposal and this was in our proxy statement, and we filed this with the SEC.

We're not going to say that isn't true. And basically, they make a mistake and some other people that they make a mistake and say something about the shareholders voting, it says the 2021 Annual Meeting, this is part of their supporting, significant majority of non-inside shareholders supported the similar version of this resolution. Well, we say in our response, the proponent assertion that at the 2021 Annual Meeting, it says, significant majority of non-inside shareholders supported a similar resolution is incorrect.

In fact, a significant majority of such shareholders did not support the proposal. That's either true or false. And I have the last report submitted by that same firm that handles our material and at broad bridge it and it reports the number of shareholders, the last day before the voting or something like that, and it's got the number of shareholders that support us and against us, and it's 4 to 1 in our favor and something like it. And it just doesn't make any difference to them. I mean it's fascinating to me that -- and I would be willing to wager somebody if we could find an if you go to any group you want to pick, take the CEOs of the 5 leading utility companies in the United States. The CEOs of the utility and ask them whether Berkshire Hathaway Energy has been a leader in the field of renewables and so on, it all say yes.

But essentially, you've got a group of people that write these letters and say, we want to be -- we want you to do things our way, and we've got 3 million other shareholders, but forget about them and spend some money on this and have a meeting with us. And here's our way of measuring that. And admittedly, we've got all kinds of information up about what we've done. And they can come out to Iowa and look around it is the renewables capital of the world, practically and we're the ones that have done it.

And they just -- that isn't what they want, so I like -- I'm for shareholder democracy and all, sort of thing, but the answer is that the resolution, they pay lots of money to somebody that probably works in these groups and they've got groups of -- they've got their way of doing -- I get letters from institutions in Europe and they say, well, you've got -- you may have 40 pages or a history of going back to 2006 of explaining what you're doing. But here's what we -- the way we want you to do it. And how much energy is Garanimals, which we own as -- it's just -- you have to think of as a person sitting here in Omaha it's not, but these are the rules you get on the proxy statement under certain circumstances.

Most companies, they don't want a lot of resolutions, so it's just easier for them to set up a department and pay a bunch of people to pay attention to them, just like Warren did when you flew across the whole country because he had, it wasn't money. I just -- I was worried about a company surviving that the people in Washington that supervisor will worry about surviving. And if I can, if I flew across country and paid them sufficient respect, I mean it was kind of like the Godfather. I think I just bought out and flew back. But -- so I have a certain reservation about shareholder proposals should have some meaning.

I mean it's got the thing I argued for. But basically, it's become, in my opinion, there are certain items that you can put on them, balance certainly you can't. And frankly, every executive of the country, now the Chief Executive wants to have a virtual meeting. The last thing as shareholders and people stand up and propose things. And we'll just keep talking about it the way we see it is. And in the end, we will have a report as to the vote and this time. And I can show you we're not stuffing the ballot box. We're not doing anything. I mean, or a fraud, it's not like ship cargo in the old days where you're waited for the cemetery vote to come in and that sort of thing. We -- we don't count the boats. We don't say where they're coming from. We don't know who are they coming from.

What we can tell when 2 or 3 institutions have got huge amount of shares, but they're one order, and they vote a certain way, and then they feel pure, and they don't really -- what they care about is whether we check their boxes and the people that work for them. Certain number of people are getting employed by them and their hearts are pure, but ours aren't impure.

And with that, I think we ought to -- well, I don't want to do this again, but it just -- it's a really interesting development in terms of getting more a rule-based type of situation where basically every company, almost every company figures out how to negotiate with the people at up and they all have a good many of the CEOs. I mean they don't -- they just figure us something that they endure. Listen, they set up a department to answer the questions and meet with the people and show all the proper respect and so on. And it's being done to carry through on something which I think the substance sub is pretty similar.

If I thought Berkshire Hathaway Energy was behaving in a way that was bad for society, worse than other utility companies, but no company and the reason, of course, is that we don't take dividends out of it. So, we pump tens of billions of dollars into the business. Most -- practically every utility pays out the dividends. And it's not the fault of the utility management. That's just a policy that's been the case in the utility industry but they don't really have much cash left over. And we have plenty of cash, and we'll put in more cash and we're willing to build whatever amount of transmission lines and all kinds of things that would be helpful to the country. And we're doing a fair amount of them that we could do a whole lot more, and we're better positioned to do it really than any utility company in the country.

And I think if you talk to the utility executives, I don't advise you to go and put them on the spot earnings, but they would agree. But they also know that their life is easier if they have somebody to take care of people that want to be catered to, basically, and I catered to them at the time of Salomon in 1991 because 8,000 people were working there and John Macfarlane was trying to raise $1 billion a day, and the Treasury and the Fed and SEC wanted us to stay alive and in fact that caused me to go in and pay my respects for the Godfather and I came back, but I do think a little background is kind of of interesting on this.

And with that, we'll ask Ms. Amick can you give your report.

Rebecca K. Amick
Director of Internal Auditing

My report is ready. The ballot of the proxy holders in response to proxies that were received through last Thursday evening cast 127,214 votes for the motion and 370,415 votes against the motion. As the number of votes against the motion exceeds the majority of the number of votes of all Class A and Class B shares properly cast on the matter, the motion has failed. The certification required by Delaware law of the precise count of the votes given to the Secretary to be placed with the minutes of this meeting.

Warren E. Buffett
Chairman, CEO & President

Yes. And I will just add that I got a report a day or 2 ago the last report, they sent me from this firm. And it's 4 to 1 or 5 to 1, I'd be glad to share it with -- by the way, in terms of number of shareholders, there are a number of shareholders that based on what these people New Jersey told me the vote was were against it. And if they reintroduce the proposal next year, I just don't they leave that line out because I would just suggest that somebody read what the proposal is or what the facts are before they announced their proposals and all that. Okay. Well, the third proposal request that the company as you report addressing if and how it intends to measure and disclose or reduced GHG emissions associated with us underwriting, ensuring and investing activities. The Directors have recommended the shareholders vote against the proposal.

I will now recognize Jaylen Spann, representative of Whistle Stop Capital, to present the proposal.

Jaylen Spann;Whistle Stop Capital;Research and Development Associate

Chairman, Mr. Buffett and Board members, Good afternoon. My name is Jaylen Spann. And I want to first thank you for the opportunity to present proposal #4 on behalf of shareholder representatives, As You Sow. This proposal asks Berkshire to measure, disclose and begin reducing the greenhouse gas emissions supported by its insuring underwriting and investment activities. In its most simple terms, the proposal asks Berkshire to take responsibility for its contribution to climate change. The U.S. Commodity Futures Trading Commission has acknowledged that climate change can impair the productive capacity of the national economy.

The litany of national and global events associated with climate change, the fires in California and Colorado, the floods across the Midwest, the growing strength of hurricanes, the deep freeze in Texas, to name just a few, demonstrates the growing risks and costs of climate change. 2021 was the second most costly year on record for the world's insurers with insured losses totaling $120 billion from natural catastrophes. Significantly, these losses can no longer be categorized as simply a bad year. As noted by Munich Re, economic losses caused by natural catastrophes are trending upward. The insurance industry faces year-on-year growth in insured losses related to climate change.

Berkshire is not only exposed to climate-related risks that is actively amplifying these risks through its continued investment in and underwriting of high carbon activities. Berkshire is one of the largest providers of coverage to the oil and gas industry, surpassing peers such as Chubb and Liberty Mutual. Its shareholdings in coal alone amounts to $5.1 billion, once again far surpassing its American peers. A financial institution's investment and underwriting activities are by far the greatest source of its total carbon footprint, highlighting the need for Berkshire to measure, disclose and begin taking responsibility for the emissions it enables.

The global financial sector is rising to the challenge of meeting the Paris Agreement's goal to maintain global temperature rises at 1.5 degrees Celsius. The Net-Zero Insurance Alliance has grown to 22 members, 7 of which are in the top 30 largest global insurers by market cap. All members have committed to reach Net Zero emissions from their insurance and reinsurance underwriting portfolios by 2050. AIG and the Hartford have also recently committed to reach Net Zero emissions from their underwriting and investment portfolios by 2050 or sooner. Berkshire is lagging both its American and its European peers, a position that increases climate risk globally and to its own portfolios.

The insurance industry and Berkshire specifically has a key role to play in the ongoing low carbon transition. And we believe Berkshire has the ability to become a climate leader on this critical issue. And the first steps are to quantify the emissions associated with its underwriting and investing activities, disclose those emissions and begin developing plans to reduce those emissions in alignment with the Paris goal. To ensure global success in protecting this planet and its inhabitants, every business must take responsibility for its own contribution to climate change. And we look forward to working with Berkshire to address this vital issue.

Warren E. Buffett
Chairman, CEO & President

Thank you, Ms. Spann. The motion is now ready to be acted upon. If there are any shareholders voting in person. How about a little light up here. Listen, the proposal, they're on the motion. Ms. Amick, when you already may give your report.

Rebecca K. Amick
Director of Internal Auditing

My report is ready. The ballot of the proxy holders in response to proxies that were received through last Thursday evening cast 127,065 votes for the motion and 370,630 votes against the motion. As the number of votes against the motion exceeds the majority of the number of the votes of all Class A and Class B shares properly cast on the matter, the motion has failed. The certification required by the Delaware law of the precise count of the votes given to the Secretary to be placed with the minutes of this meeting.

Warren E. Buffett
Chairman, CEO & President

Thank you, Ms. Amick. Proposal fails. The fourth proposal requests the company report to shareholders on the outcome of the diversity, equity and inclusion efforts. Directors have recommended the shareholders vote against the proposal.

I will now recognize Jaylen Spann, representative of Whistle Stop to present the proposal.

Jaylen Spann;Whistle Stop Capital;Research and Development Associate

Hello. I am Jaylen Spann. I'm speaking on behalf of the Nonprofit Advocacy Organization, As You Sow and Whistle Stop Capital. I formally move proposal #5, asking for Berkshire Hathaway to report on the outcomes of their diversity, equity and inclusion efforts by publishing quantitative data on their workforce composition and recruitment, retention and promotion rates of employees by gender, race and ethnicity.

Warren Buffett once mentioned that he had grown up with 2 sisters who to quote Mr. Buffett, are absolutely smart as I am and better personalities. He also bravely admitted that he only placed women on his Board after his wife suggested it in 2003, 40 years after he started his company. It's one thing to know that people of all genders, races and ethnicities can contribute to Berkshire Hathaway. It is another thing entirely to intentionally and proactively create the space, opportunity and training needed within a company for those people to be able to contribute without facing harassment and discrimination. In the absence of data, we must instead assume that Berkshire Hathaway companies are no better nor any worse than any company in America.

The statistics for American companies are unacceptable, particularly when we consider the strong link found by the Wall Street Journal, McKinsey, Credit Suisse and others between diversity, equity and inclusion programs and corporate outperformance. 42% of Americans have witnessed or experienced racism at work. 64% of black employees say that discrimination is an issue in their own workplace. Many people of color are barred from entering the workplace at all. A Meta study reviewing data from 1989 to 2017, found that, on average, whites received 24% more callbacks than blacks and 36% more call backs than Latinos.

If we take a look at Berkshire's executive team, we can see that headquarters should be proud of the gender and racial diversity present in its leadership team. The culture that exists at Berkshire Hathaway headquarters appears to be one that recruits, hires, promotes and retains diverse employees. Mr. Buffett stresses the importance of culture and the value that it has on the long-term success of a company. He said that culture more than rulebooks determines how an organization behaves.

Investors are looking for assurances that this culture is successfully implemented within the famously decentralized Berkshire Hathaway companies as well. In order to allow their investors to understand their workplace diversity, 87 of the S&P 100 companies have released or have committed to releasing their EEO-1 form, which is a standardized government mandated accounting of gender, race and ethnicity breakdown by employment levels. By contrast, of the more than 60 companies Berkshire owns only one has publicly released this form, one company.

This is not the leadership that Mr. Buffett is known for. The company's inclusion data, the hiring, retention and promotion rates of diverse employees must also be shared for investors to have a full understanding of the actual experience of not only Berkshire's employees, but of its portfolio companies' employees as well. The Board has released insufficient information to assure investors that it is attentive to diversity, equity and inclusion at Berkshire Hathaway companies. We encourage transparency even in the face of imperfection in order to show that the company's leaders are truly committed to change and to attracting, retaining and promoting the best possible employees.

Warren E. Buffett
Chairman, CEO & President

I certainly agree with you that my sisters were better looking, smarter, had better personalities. And in 1930, they had a father and mother, teachers who loved them like they loved me. And if I had been born female, black, in various other countries, I would not have had remotely the life I've enjoyed. But I -- if what the people at the top believe is important in terms of how our subsidiaries behavior, certainly, there's everybody that runs any one of our subsidiaries knows how I feel. They also know that they're in charge of their own business. And that we think we've got great leaders in every virtually every company we have.

Every now and then, we might have made a mistake, obviously. But if the idea that we should replace any of the people who run the businesses and they're doing, I just don't think that's the way to operate. And I will tell you to so that the question doesn't come up later, in terms of our shareholders, again, a 4 or 5 to 1 vote, so the owners of the Berkshire company, whether not forgetting about A or B shares, basically, the big funds that are worried about what their perception is but also may well believe it. Who knows what people's motivations are.

Somebody said that the word motivation should never be used in the singular because we don't know. But the one thing is that it's very hard to find people that are running big institutions that are acting against their self-interest. Now it doesn't mean they're acting for their self-interest necessary. They're acting for a lot of reasons. But -- it's something that I can -- if you could change that in people, it would do a lot more from Americans in the future, but you can't -- basically you can't change that.

I mean, it's a situation about people behave in protecting essentially their own interests and their own interest 40 or 50 years ago was essentially to regard corporate America as a boys club, and that's not acceptable anymore. So, they changed, but they haven't changed as much by a substantial margin in relation to, to box and that's what we are as a society, but overwhelmingly our shareholders don't agree with you even they had a chance to -- you gave them a chance to express their view on it.

So, Ms. Amick, when you're ready, you may give your report.

Rebecca K. Amick
Director of Internal Auditing

My report is ready. The ballot of the proxy holders in response to proxies that were received through last Thursday evening cast 123,614 votes for the motion and 373,925 votes against the motion. As the number of votes against the motion exceeds the majority of the number of votes of all Class A and Class B shares properly cast on the matter, the motion has failed. The certification required by Delaware law of the precise count of the votes given to the Secretary to be placed with the minutes of this meeting.

Warren E. Buffett
Chairman, CEO & President

Thank you, Ms. Amick. Proposal failed.

Rebecca K. Amick
Director of Internal Auditing

I move that this meeting be adjourned.

Susan L. Decker
Independent Director

I second the motion to adjourn.

Warren E. Buffett
Chairman, CEO & President
Motion adjourned has been made and seconded. The meeting is adjourned. Thank you all for coming.