



America should stand for more than just wealth, says Warren Buffett

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JUDY WOODRUFF:

Next, to part one of my interview with Warren Buffett.

He's one of the shrewdest and most successful investors in the world, earning the nickname the Oracle of Omaha.

I traveled to Nebraska last week for this wide-ranging conversation.

And a note:

Buffett is CBO of Berkshire Hathaway, which owns BNSF Railway, one of the funders of the NewsHour.

He's number two on Forbes' list of the world's wealthiest people, worth more than \$75 billion. Warren Buffett is an investing rock star to his Berkshire Hathaway shareholders, who gather in Omaha every year. One share is trading today at \$251,000.

Two years ago, the legendary firm celebrated its record of investment over a half-century, a portfolio that includes Kraft Heinz, Geico, Wells Fargo, Coca-Cola and, among others, the Nebraska Furniture Mart. It's the largest furniture store in North America.

Buffet bought it in 1983 from Rose Blumkin, a Russian immigrant who built it from nothing.

WARREN BUFFETT, Chairman and CEO, Berkshire Hathaway: There's nothing like it. And we're the 58th market in the United States, and this was the largest home furnishing store in the country, until we built two more.

JUDY WOODRUFF:

Why was she so successful? What was the secret?

WARREN BUFFETT:

She would say -- she had a thing in her office, which you probably couldn't read, but it says she had two things, sell cheap and tell the truth.

JUDY WOODRUFF:

We talked on the showroom floor surrounded by sofas, lamps and coffee tables. The state of the economy was our first topic.

The stock market's booming. Unemployment rate is, what, is as low as it's been in 15, 16 years. But we're still not seeing the growth that people would like to see. What's going on?

WARREN BUFFETT:

The economy is doing well, but all Americans aren't doing well. But we have got \$57,000 or \$58,000 of GDP per person. That is a lot of stuff.

JUDY WOODRUFF:

And yet the growth, the rate of growth is, what, 2 percent.

WARREN BUFFETT:

Yes, 2 percent.

JUDY WOODRUFF:

President Trump is saying we're going to get it up a lot higher than that. Is that doable?

WARREN BUFFETT:

Well, it may be occasionally it happens. But, no, I don't think probably on average we will have that kind of growth.

But 2 percent does wonders for you, Judy. If you take 2 percent, we have a half-a-percent population growth, and we have a little immigration, but 2 percent in one generation will add \$19,000 of GDP per person, family of four, \$76,000 in one generation.

So, your children and your children's children and all that, they will live far, far, far better than we live with 2 percent growth.

JUDY WOODRUFF:

Well, let me then ask you a little bit about the employment picture, because it is, as you said, low unemployment. People -- a lot of people have jobs.

At the same time, we're told the labor participation rate is lower than what the experts like it to be.

WARREN BUFFETT:

Yes.

JUDY WOODRUFF:

More people are leaving jobs than are joining. Are we seeing some kind of shift?

WARREN BUFFETT:

Well, we always see shifts in employment.

If you think about it, if you go back to 1800, it took 80 percent of the labor force to produce enough food for the country. Now it takes less than 3 percent. Well, the truth is that market systems move people around.

JUDY WOODRUFF:

You also see, though, some experts saying that not enough -- there aren't enough workers out there who know -- who have the skills to do all the jobs that are needed.

WARREN BUFFETT:

Well, there's always a mismatch.

I mean, you know, as the economy evolves, it reallocates resources. Now, the real problem, in my view, is -- this has been -- the prosperity has been unbelievable for the extremely rich people.

If you go to 1982, when Forbes put on their first 400 list, those people had \$93 billion. They now they have \$2.4 trillion, 25 for one. That is -- this has been a prosperity that's been disproportionately rewarding to the people on top.

JUDY WOODRUFF:

Are we stuck forever with some measure inequality?

WARREN BUFFETT:

No, we generally have translated greater output in the few hours of work per week over the last century. And that's a good trend of the future.

But we do have to have a system that, as output of goods and services keeps increasing per capita, that it takes care of the people who are willing to work and really are not getting by very well with a family on a 40-hour week.

JUDY WOODRUFF:

You come across as optimistic about the future of this country.

(CROSSTALK)

JUDY WOODRUFF:

I think you wrote to your shareholders last year it's been a mistake to bet against the United States for the last 240 years.

Has the U.S. standing, though, in the world been -- has it been changed, has it been harmed in any way, given what's been going on for the last six or eight months?

WARREN BUFFETT:

We do not have quite the percentage of the world's GDP that we had 20 or 30 or 40 years ago, but we're still the leader. The question is whether we can be the moral leader, as well as the economic leader.

JUDY WOODRUFF:

And what do you think?

WARREN BUFFETT:

Well, I think that's a podium that we should have. We will be the economic leader, and we should be the moral leader. We should stand for more than the fact that we're the wealthiest country.

JUDY WOODRUFF:

And do you think we are right now?

WARREN BUFFETT:

Well, sometimes, we are and sometimes we aren't.

(LAUGHTER)

WARREN BUFFETT:

I didn't think what happened on the Paris agreement was a good idea.

We have to live with the rest of the world. And it's a mistake, in my view. Trade has generally developed in this country. We actually export 12 or 13 percent of our GDP. It was only 5 percent in 1970. But it benefits us. It benefits the rest of the world.

It doesn't benefit the steelworker maybe in Ohio. And that's the problem that has to be addressed, because when you have something that's good for society, but terribly harmful for given individuals, we have got to make sure those individuals are taken care of.

JUDY WOODRUFF:

Let me ask you about a couple questions about markets, investing.

I mean, nobody knows markets better than you do. I think you said earlier this year that you weren't worried that the market was in a bubble, because interest rates were staying low. As you know, the Federal Reserve is starting to raise them. Do you still feel the market is not in a bubble?

WARREN BUFFETT:

Well, anything can happen in markets.

I bought my first stock in 1942, in the summer of '42. I was 11 years old. And so 75 years have gone by. And I have never known what the market's going to do the next day. And that's not my game.

My game is to decide whether I'm in the right economy, which America's definitely been ever since that time. The Dow has gone from 100 to 21,000 during that time. And no matter what the headlines say, or terrible things are happening -- we were losing the war in the Pacific when I first bought stocks.

So, America's going to do fine over time. America business is going to do fine over time. Occasionally, we go off the tracks with bubbles like -- and a lot of human error and that sort of thing. But it will never permanently derail us.

And I don't try and guess when to get in and out of the market. I have owned stocks consistently since 1942. I owned the -- I was buying stocks the day before the election. I was buying the same stocks the day after election. And if Hillary had been elected, it would have been the same thing.

JUDY WOODRUFF:

Does President Trump deserve credit for what is going on right now in the market?

WARREN BUFFETT:

I -- the stock market has been going up basically since March of 2009. That's when it hit the bottom, very early in March. It's been going up more or less ever since then.

But if I ever get elected president, I will never claim credit for anything the market does, because I don't want to be blamed when it goes the other direction.

JUDY WOODRUFF:

Your investment decisions over time have been remarkably right much of the time, most of the time.

Today, as people look at you and look at the decisions that you have made, what mainly should people take a look at?

WARREN BUFFETT:

They should be willing to bet on America. They shouldn't listen to a lot of jabbering about what the market's going to do tomorrow or next week or next month, because nobody knows.

They should just keep buying and buying and buying a little bit of America as they go along. And 30 or 40 years from now, they will have a lot of money.

JUDY WOODRUFF:

Berkshire Hathaway has made a huge investment in Wells Fargo.

WARREN BUFFETT:

True.

JUDY WOODRUFF:

And you -- it came up at your recent shareholders meeting that Wells Fargo had problems. They engaged in some ...

WARREN BUFFETT:

Plenty of problems.

JUDY WOODRUFF:

Plenty of problems. They engaged in some fake accounts, in millions of fake accounts. The leadership of the company was replaced.

WARREN BUFFETT:

Right.

JUDY WOODRUFF:

The critics are saying, yes, you called them out, but Berkshire Hathaway still owns a big chunk of Wells Fargo.

WARREN BUFFETT:

Sure. Sure.

JUDY WOODRUFF:

And they're saying, is there a double standard?

WARREN BUFFETT:

It was a terrible mistake. They incentivized bad behavior.

Incentives work, but they work -- you incentivize good behavior or bad behavior. And then the problem, big problem is -- and sometimes will you -- you can design an incentive system that is incentivizing the wrong things. You have got to end it, and end it fast and decisive. So, that's where they made the big mistake.

JUDY WOODRUFF:

Is there a clear line in your mind when behavior becomes just so unacceptable that you don't want to have anything to do with that company?

WARREN BUFFETT:

Well, it's a very interesting question.

I wouldn't want to manufacture cigarettes. But if I owned -- we do own Costco. Do they sell them? Yes. So I don't have a problem owning stock in that. But I just wouldn't want to -- I wouldn't want to do it myself.

I basically think, if anything is sufficiently antisocial, society should do something about it. But that's a separate question. But -- and I don't think there's any company that I have seen that's 100 percent pure.

In terms of what I will call them out for, I will call individuals out, but generally I would not apply that to the corporation.

JUDY WOODRUFF:

Something that affects all businesses is the cost of health care in this country.

WARREN BUFFETT:

Right.

JUDY WOODRUFF:

And you have been vocal about that.

You have argued that, right now, in effect, that the cost of paying for health care can affect a company even more than taxes.

WARREN BUFFETT:

Well, it does, I mean, in terms of our competitiveness in the world.

Health care in 1960 was 5 percent of GDP. And there's only 100 cents in the dollar. So, it's gone from 5 cents -- 5 percent to 17 percent. And it keeps going up. Corporate taxes have gone down from 4 percent to 2 percent.

So, corporate taxes are way less of a factor in American competitiveness than -- I'm talking about overall business -- than medical costs.

JUDY WOODRUFF:

And as we sit here today in Omaha, the Republicans in Congress are madly trying to figure out what to do to replace Obamacare, the Affordable Care Act.

WARREN BUFFETT:

Yes.

JUDY WOODRUFF:

Do you have a firm idea in your mind of what ought to be done about Obamacare? Everybody acknowledges there have been some problems with it.

WARREN BUFFETT:

I think that's way outside of my circle of competence.

But I would say this. You can't have that 5 go to 17 and move on to 20 and 22 or 24 percent, because there are only 100 cents in a dollar. And health care is gobbling up well over \$3 trillion a year. It's just about the same as federal -- the federal budget is getting up there.

JUDY WOODRUFF:

Are we now at the point where the country does need to think about some sort of single-payer system in some form or another?

WARREN BUFFETT:

With my limited knowledge, I think that probably is the best system, because it is a system -- we are such a rich country. In a sense, we can afford to do it.

But in almost every field of American business, it pays to bring down costs. There's an awful lot of people involved in the medical -- the whole -- just the way the ecosystem works, that there is no incentive to bring down costs.

JUDY WOODRUFF:

And it sounds like you're saying, with a single-payer system, it would be easier to figure out a way to get those costs down.

WARREN BUFFETT:



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