CNBC TRANSCRIPT: Warren Buffett's 'Secret Millionaire's Club' Live Interview on Squawk Box

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Warren Buffett appeared live on CNBC's Squawk Box this morning to promote a new online animated series called the Secret Millionaire's Club in which he teaches kids about finance and investing.

Buffett told us that stocks are still a better investment than cash investments, like Treasuries, even though the Dow has recently rallied to its highs of the year over 9000.

This is a transcript of the CNBC interview that got underway after Squawk showed a clip from the animated show in which Buffett talks to kids about the potential positives and negatives of investing in a fictional Ohama candy company.

BECKY QUICK: Warren, thanks for joining us this morning. We appreciate it.

BUFFETT: It's my pleasure.

BECKY: You know --

BUFFETT: Have some candy. (Laughs.)

BECKY: Have some candy. That's something we hear from you often. That's something we hear in the webisode, too. But how did you get involved in these webisodes?

BUFFETT: Well, I've got a friend, Andy Heyward that started producing cartoons for the Berkshire annual meeting ten years ago. He did it just out of the goodness of his heart and did a terrific job. We've become good friends and then a few years ago he did something called *Liberty's Kids* that was a cartoon, animated arrangement, that retaught history from around the time of the Revolutionary War. And I was really impressed with the product. It was - I found myself enjoying the episodes myself and an eight-year-old could enjoy them. So he knows how to tell a story. And he loves to do something beyond tell a story and amuse. He really wants kids to come away smarter or with better habits. So I love working with Andy.

BECKY: What's your hope that kids will take away from these episodes?

BUFFETT: Well, one way or another you develop financial habits when you're very young. And the habits you develop live with you for the rest of your life. So if we can get through to some young people that it's better to be a little bit ahead of the game than behind the game, watch out for credit cards. The most important message is that the best investment you can

make is in yourself. Teaching them if something's too good to be true, it probably is, and so on. If they learn those things the easy way through these stories early on, it may save them learning it the hard way later on.

BECKY: The webisode we just watched was something to save the Omaha Candy Company. What other sorts of episodes can we expect to see? Have you done them yet?

BUFFETT: No, we haven't done them yet. Andy may be well along but I haven't done any of the work myself. Andy is the guy who delivers the story lines but what we're really trying to do is get through, at least to some of that young audience, some messages that will help them later in life when they start facing choices as to whether they run up a big credit card bill. Or like I said, the most important message you can deliver to a young person is that anything you invest in yourself, you get back ten-fold. And nobody can tax it away, they can't steal it from you. So we'll be trying to deliver those messages. You have to do it with a good story. They're not going to watch it to get a lecture. They're going to watch it to get entertained, and in that entertainment we hope there can be a good message.

JOE KERNEN: Warren, I've always been told that there's huge money in voiceover work. (Buffett laughs.) And I'm just wondering, just wondering is that what drew you to this? They don't have to show you, you see all these Hollywood types are in there, you see them in the room, they've got the big microphone with the muffler --

CARL QUINTANILLA: Improvising.

JOE: Improvising. Was that it? Big money in voiceover work that attracted you here?

BUFFETT: Joe, you'll have to talk to my agent. (Laughs.) No, I'll tell you, obviously, I'm not getting paid for this. There was a time when the market was, you know, hitting 66-hundred or so, that I thought maybe I'd renegotiate, but things have come back enough so that I'm doing this for nothing. (Laughs.) I'm open to ideas, though, Joe.

JOE: I was wondering, what is now a prescient piece in the *Journal* about **buying American**. I was wondering --

BECKY: *Times*. *New York Times*.

JOE: Was it in the *New York Times?* OK. I was wondering where the averages were at that point, because I think you're, now it looks prescient. For a while it looked, but you said long-term, you didn't say this week or next month or whatever, but it's hard to short America long-term.

BUFFETT: Yeah. It was not designed to be a one-week or one-month market forecast. But it was designed to tell people who were keeping their money in short-term investments where they thought cash was king, and all that sort of thing, that I really thought that if they were going to be investing over the longer term, equities were going to do way better than cash investments. And if you held cash investments since that article, you've received virtually nothing. And if you've held the index, you've done modestly better plus you've gotten a better yield. But it wasn't - whether the market is up or down now does not make much difference. But I would have been very surprised if five years from when I wrote that article that stocks hadn't vastly outperformed cash investments.

JOE: Well, it happened pretty fast. I think it was only about a month ago, was it during Berkshire's release? I don't remember what it was, but you said this still is awful. And across the board none of your businesses were, seemed to be improving at all. Now the market's improved a lot. Is it as bad as it was a month ago or are you seeing, I can't call them crocuses or green shoots, but has anything gotten any better in the past couple of weeks?

BUFFETT: No, business is flat. But I said in that article, I said if you wait until you see robins, spring will be over. You can't wait for business to turn up and be very clear about the fact it's turned up. You'll probably only figure it out three or four months later anway. But the market is very, very likely to turn up before business. But I don't try and time stocks. I try to price stocks and stocks were a decent value when I wrote that article. They got to be an indecent value some months later. But it's a mistake - in fact, maybe we'll work it into an episode of the *Secret Millionaire's Club*, that people who think they can pick the market day-by-day are probably making a mistake.

JOE: If you get laryngitis, Carl is available to do some voiceover work for you. (Buffett laughs.) I don't know if anyone can really -

CARL: I'm going to try to teach kids how to write algorithms and CDOs. How about that?

JOE: That's an idea. But in Mr. Buffett's voice.

BUFFETT: We'll save you for a later session then, Carl.

BECKY: Hey, Warren, you said that markets got to an indecent level. I guess you were talking about back below 7000, but when you look at the Dow above 9000 now do you think that's a decent level? Or is it less indecent, at least?

BUFFETT: I would much rather own equities at 9000 on the Dow than have a long investment in government bonds or a continuously rolling investment

in short-term money. Now, again, I don't know where it's going to go next week or next month.

JOE: Good answer.

BECKY: But you still think equities is the place to be?

BUFFETT: I would, you know, I own 'em myself.

CARL: Warren, the last time you were with Becky, I believe it was during -

BECKY: About a month ago.

CARL: Yeah, about a month ago. And at the time I recall you talking a lot about inflation, not anytime soon necessarily, but certainly a couple of years down the road. CPI is running at the lowest level since the 50s. Bernanke doesn't seem too worried about it, judging from his testimony. Is your concern on the wane or on the rise?

BUFFETT: On the rise. Very simple answer. But it isn't because it's going to happen next week or next month or ten months from now. But ten years from now the dollar will buy a lot less than it buys now. That will be the consequence of what we're doing now. That doesn't mean what we're doing now is wrong at all. We're doing the right things, but what we're doing have consequences. And some of the medicines we're delivering, it will be very hard to deliver a total offset to.

CARL: And is that change in the dollar's value, it's going to be disruptive obviously, but will it be violent in any way?

BUFFETT: Who knows? Listen, I didn't know what was going to happen the last two years. Why should I know what's going to happen the next two years? But, stay tuned to the *SecretMillionaire's Club* and maybe at some point we'll let it out.

CARL: Oh good. We can have one on the dollar collapse. That'll be --

BUFFETT: Yeah, the dollar. You definitely - We won't do it until the fourth or fifth episode but we want to get you hooked. (Laughs.)

BECKY: Now, Warren, you talk about your views on inflation and you use very long-term timeframes. Right now versus ten years. When Ben Bernanke was speaking to Congress earlier this week, he talked about some of these things, too, saying this is not necessarily something we need to worry about over the near-term. He's probably talking a couple of years down the road. Are you kind of in sync with what Bernanke was telling Congress earlier this week?

BUFFETT: I don't think you can have anybody better than Bernanke in the job. I mean, he understands all of the issues. But the time to worry about something that's going to happen in the long-term is in the short-term. And I'll guarantee you that he is thinking about that. But he needs to do what he's doing now. And the Fed needs to be doing what it's doing now. It will have, it will have after-effects, and we'll be facing those, and they'll be addressed at that time. But I don't think you can do what we're doing now, and are going to be doing, without having real inflationary possibilities down the road. But that doesn't mean I think he's doing the wrong thing. I think he's doing the right thing.

JOE: Just thinking **about those puts**, Warren. You didn't have to mark those to market necessarily, but just thinking about this week, you cleaned up this week.

BUFFETT: But that -- (laughs.)

JOE: I know, I know, but how much money - we're talking billions probably this week, are we not in those puts?

BUFFETT: We move the numbers around, but no cash changes hands. We got 4.8 billion originally, we're going to hold onto it for 15 or so years and then we'll see what happens.

JOE: Well, it's worth a, I mean you had a billion dollar week, I think, and you can say it. You can celebrate a little. It's Friday too, right?

BUFFETT: (Laughs.) Well, I'll have a Cherry Coke later on.

CARL: Like that would be any different.

JOE: He's a wild man. Have two of them.

BECKY: I bet he knows to the penny -

JOE: I bet you do know to the penny exactly, yeah, that's what Becky said. You probably know to the penny but you're not going to tell me.

CARL: How about the Moody's stake cut, Warren? Can you shed any light on it. It got a lot of attention this week.

BUFFETT: No, I can't shed any light on it. (Laughs.) We're straying a little bit from the *Secret Millionaire's Club.* **Hubert Humphrey**, the famous Senator Hubert Humphrey, who I admired, his advice on speaking, he said never talk about father on Mother's Day. (Laughs.) This is Mother's Day.

JOE: But you love this. You've given us time in the past and we try to visit everything. I'm going to, we're going to - should we go to a break and then we'll come back? I do have one question I definitely want to ask you after we come back from break. Should we go to break and then come back? OK, good. Here it is. Here it is. You're an insurance guy, you've done well with insurance. Do you think it's possible to have private insurers co-exist if there is a public plan in health care?

BUFFETT: Well, they co-exist with annuities right now with Social Security. You can buy income for your old age, my age. (Laughs.) You get it from Social Security and you can buy it from the government. I think the whole - listen, I'm not an expert on health care reform. I mean, there are millions of people who know a lot more -

JOE: Then you can be in Congress.

BUFFETT: Well, that's true. Maybe I can even be chairman of the committee.

JOE: Exactly. We'll put you up for that. (Buffett laughs.) You know what I'm asking. I mean, should reform have a public option or is it better to keep it market-based to try to hold down the costs?

BUFFETT: Reform is a, I mean, it is a - When you try to reform or rearrange one-sixth of the economy, that is huge. It's an enormous problem. I don't think I bring special knowledge to it. I think it's needed. When we're spending the kind of percentage of GDP that we're spending, something has to happen. And what we get out of Congress won't be perfect. The question is whether it will be an improvement, and I don't know the answer to that yet.

BECKY: Hey Warren, **Jim Nussle** is here today, the former head of the OMB.

NUSSLE: Yeah, Warren. Sticking to your *Secret Millionaire's Club* and the principles that you have there, I mean, the concern that I think so many people out in the country are having there, is are we adding to the credit card bill with this health care reform? Are we just going to add more deficit and debt? And at what point in time is it unsustainable? It seems like the deficits are just going up and the health care bill doesn't do anything to reform the already unsustainable growth in these health care programs. At what point in time is it a complete and total drag on the economy and we can't lay off that debt on some of the international markets?

BUFFETT: Spending a sixth of your GDP on, is already a drag on the economy. I mean, that is diverting a lot of dollars that other countries aren't, to health care. So, if we can figure out a better way to do it it will have beneficial effects regarding the financing. We just need to figure out a

way to pay for people staying well rather than on what's prescribed for them and the amount of the prescriptions that take place. It's a tough problem to reform the whole economy on something that huge. But the real question is whether we can come up with something better. In terms of the debt question, we came out of World War II with the national debt at 120 percent of GDP and there were all kinds of dire forecasts. This country works over time. We are in a movie that's kind of an unpleasant movie and we haven't seen this movie before and I can't tell you how long it's going to last. But I can tell you it has a happy ending. This country works. And we make mistakes along the way, but they get addressed eventually. So I'm not worried about the long-term future at all. On the other hand, you don't want to see debt as a percentage of GDP just continuously increase. Fortunately, we started from a pretty low level in the 30 percent level so we can take more. But you don't want to get addicted to huge deficits.

BECKY: You know, Warren, you're talking about the economy. You mentioned that business really hasn't turned, it's remained flat. But there have been a lot of predictions about what happens to the unemployment rate. We had Meredith Whitney on our show. She said that unemployment could go as high as 13 percent. You had mentioned that you've had, in the past, very big concerns about where our unemployment is headed. But does a number like that sound like something that fits into your forecast?

BUFFETT: Well, I think that if we had 13 percent, people will be watching CNBC all day. I don't, I don't know, you know, I don't know how bad things can get in terms of unemployment. I don't know how bad things can get in terms of the economy. I do know that we'll come out the other side and it'll be better than ever. But there's no way, there's no way, there's no way to predict how high it can go. It's going to go higher than it is now and I do not see when that ends but it will end.

JOE: You're doing this, you're partnering up with AOL to some extent, I guess, on this, Warren.

BUFFETT: Well, Andy is the - I'm just a bit actor in this thing -

JOE: Oh, you are?

BUFFETT: But like I said, I'm hoping for big things obviously.

JOE: We're back to the voiceover proceeds that we're talking about, that's why, yeah, we figured that out. Alright, but --

BUFFETT: OK.

JOE: You have an idea about the business? People have written off AOL in the past. It looks like they're trying to move to some kind of content-based

organization. Much more content-based. Do you have any idea how that's gonna, I mean, is that going to be successful?

BUFFETT: Very few people ask me for my advice on the Internet, (laughs), and the ones who do don't pay any attention, Joe. So I can't really help you much on that. So I just want to say, thanks for having me, but I can't tell you what any company on the Internet's future is.

BECKY: Alright, Warren, we want to thank you very much for your time today. It's - we really appreciate you coming by. And again, thanks for showing off the new webisodes here.

BUFFETT: OK. Good bye, and thanks for having me.

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