

SHARED SACRIFICE

BUFFETT'S INVESTMENTS MAY NOT BE snazzy, but they've nearly always been smart. While the value of Berkshire Hathaway is still somewhat smaller than before the financial crisis, net earnings are higher, and many of the company's largest businesses are on track for a record year. Forty-seven years ago, one share of Berkshire Hathaway was worth \$19. Today a single share is worth \$116,914.

I ask Buffett if, when he started, his aim was to be the richest man in the world. "I knew I wanted to make a lot of money. But that's because I knew I wanted to be independent. That was very important to me. The money itself is all going to charity," says Buffett, who in 2006 pledged 99% of his personal wealth to charity, with the bulk going to the Bill & Melinda Gates Foundation. "I'm really just a steward of it for now." Supply siders like Arthur Laffer have tried to paint him as a hypocrite for his giving. A recent Laffer opinion piece in the *Wall Street Journal* bashed Buffett for, among other things, shielded income like unrealized capital gains (taxed at 0%) and charitable contributions (which are tax-deductible). "Well, I had a net unrealized loss last year," notes Buffett. "But if Arthur has a plan for how he wants to tax unrealized gains, I'd love to hear it. It's an interesting thing for a Republican to put forward!"

When Buffett isn't giving, he's teaching. Many of the rich and famous seek his counsel about business and philanthropy. Recent visitors include Fiat scion John Elkann and the Baroness de Rothschild, whom Buffett took to Piccolo's, the modest family-owned Italian steak house where we sit eating dinner. "She loved it here," Buffett says. "She had a root-beer float for dessert."

Just as important to Buffett as his philanthropy is his agenda for America. The independence afforded by great, leverage-free wealth has allowed him to speak out politically in recent months, something the conflict-averse financier has avoided most of his life. When asked about any of the very few controversial events in his life, Buffett tends toward deflection. The ignominious fall from grace of former Berkshire golden boy David Sokol (who resigned after revealing that he bought stock in a company before proposing it as a takeover target) is something he "just doesn't understand." He gives the ratings agency Moody's and the investment bank Goldman Sachs, both

WHAT WOULD WARREN DO?

DON'T LOWER CORPORATE TAXES

"The idea that American business is at a big disadvantage against the rest of the world because of high corporate taxes is baloney."

LEVY HIGHER TAXES ON THE RICH

Buffett would like to see people who earn their money from investing pay more than those who earn it through labor.

NO FOREIGN-PROFIT REPATRIATION

Allowing companies to repatriate profits from overseas tax-free creates moral hazard.

CURB SPECULATIVE GAINS

The idea that you can hold a stock for 10 seconds and have 60% of your gains taxed as "long term" is nuts, according to Buffett.

GET TOUGH ON DIRECTORS

They should forfeit five years' pay if their firms have to be bailed out; CEOs and their spouses should be on the hook for their net worth.

GET RID OF PRIVATE SCHOOLS

He says (only half jokingly), if there were fewer of them, more rich families would invest in public K-12 education.

REFORM HEALTH CARE

It's "a tapeworm in America," one that cuts competitiveness far more than taxes do.

of which he owns stakes in, a pass for dubious behavior during the financial crisis, as they were both a part of "a mass delusion. Everyone felt houses couldn't go down."

Unlike many liberals, he's not a great believer in regulation as a curb for corporate excess. He doesn't want to crush Wall Street's animal spirits or control market volatility or cap executive pay by force; better tax policy would take care of all that, in his view. He's not worried that rising inequality is going to result in social unrest, at least in Middle America. "I drove by Occupy Omaha, and there was maybe one guy there," he says. "I just don't think this is a country that has the tinder for social instability. I mean, the classic test of that was actually the 2000 election. If you think about it, half the people in America felt that they were screwed,

and the next day, they all went to work."

But on taxes and the debilitating growth of partisan politics, he doesn't mince words. He was horrified by the debt-ceiling debacle this summer and shocked that Republicans were willing to play a game of political chicken with the goodwill and faith put in the world's reserve currency. He was disappointed that so many financiers who'd supported Obama and received the benefits of the financial bailouts were unwilling to support higher taxes to help close the deficit.

He's also got a few choice words about the Republican presidential candidates and their ideas about bootstrapping and "merit" economies. "This whole business about Newt Gingrich going down to Occupy and saying, 'They ought to be getting a job,' that's just—you know, maybe they can be historians for Freddie Mac too and make \$600,000 a year." When I ask whether Mitt Romney is a job creator or destroyer, Buffett says that while businesses shouldn't hang on to people they don't need, "I don't like what private-equity firms do in terms of taking out every dime they can and leveraging [companies] up so that they really aren't equipped, in some cases, for the future."

As for President Obama—should he win re-election—Buffett would like to see him lay out the truth about the road ahead to the American people. "I think that the American people would be pretty responsive to shared sacrifice if it was really shared and they knew what to expect," says Buffett. "I've always thought that part of my job at Berkshire is telling people what they should expect and what they shouldn't expect from us. I don't want to be held to things I can't do. On the other hand, I shouldn't totally downplay what can be done just to create a phony target."

Buffett feels the President missed an opportunity to do that right after he took office. But he's optimistic that it can still be done. "We need to tell people that the road is going to be long. We've got too many damn houses. They're not going to go away. This recovery is going to take a long time. And the financial crisis has exposed a lot of flaws in our system." But the flaws can be fixed. With the right rules, says Buffett, our system can work again. "It's like Martin Luther King said. We aren't trying to change the heart. We're trying to restrain the heartless."

"Isn't that," he asks, "what government is all about?"