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2020 Berkshire Hathaway Annual Shareholders' Meeting

"It's been seven weeks since I've had a haircut. It's been seven weeks since I put on a tie. It's just a question of which sweatsuit I wear. So, who knows how we come out of this."

- Warren E. Buffett, 2nd May 2020

Due to COVID-19 travel restrictions, unfortunately we were unable to make our annual pilgrimage to Omaha, Nebraska to attend the 2020 Berkshire Hathaway Shareholders' Meeting. This year, the meeting was held in an empty stadium with just Warren Buffett (age 89) and Vice Chairman of Non-Insurance Operations Greg Abel (age 59) on stage to answer questions. The meeting was streamed live to a global audience that included several members of the VGI Partners Investment Team.

Warren Buffett's long-time business partner Charlie Munger was unable to be on the stage due to travel restrictions. Warren Buffett assured viewers that at age 96, Charlie is as strong as ever, and will be back next year.

The meeting lasted almost six hours and covered a range of topics, from Berkshire's decision to exit its airline investments to the Federal Reserve's response to recent turmoil in financial markets and the likelihood of the United States government defaulting on its debt.

Questions were submitted by the public and asked by Becky Quick, a CNBC reporter.

We believe the following notes present an accurate depiction of the key take-outs from the meeting, however we have omitted discussions on topics unrelated to investing and business success.

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We hope that you enjoy reading these notes as much as we enjoyed (virtually) attending the meeting and putting them together!

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Introduction by Warren E. Buffett

This is the annual meeting of Berkshire Hathaway. It doesn't look like an annual meeting. It doesn't feel exactly like an annual meeting. It particularly doesn't feel like an annual meeting because my partner of 60 years, Charlie Munger, is not sitting up here with me. I think most of the people who come to our meeting really come to listen to Charlie.

But I want to assure you, Charlie at age 96 is in fine shape. His mind is as good as ever. His voice is as strong as ever. It just didn't seem like a good idea to have him make the trip to Omaha for this meeting.

Charlie is really taking to this new life. He's added Zoom to his repertoire, having meetings every day. He's skipped right by me technologically, but that isn't really such a huge achievement.

Nevertheless, I want to assure you Charlie is in fine shape, and he'll be back next year.

On my left, we do have Greg Abel. Greg is the Vice Chairman in charge of all operations, except insurance. Greg manages a business that has more than $150 billion in revenues across dozens of industries and has more than 300,000 employees, and he's been in that job a couple of years.

Of course, on everybody's mind is what's going to happen in terms of health and the economy in the months and perhaps years to come.

Personally, I feel extraordinarily fortunate to be able to listen to Dr. Anthony Fauci, the director of the US National Institute of Allergy and Infectious Diseases and a key member of President Trump’s Coronavirus Task Force. We’re very fortunate as a country to have somebody at 79 years of age who appears to be able to work 24 hours a day, keep a good humour about him and communicate in a very straightforward matter about complex subjects. I feel that I owe a huge debt of gratitude to Dr. Fauci for educating and informing me, along with my friend Bill Gates, as to what's going on.

There has been a flip of the switch in terms of national behavior and the national psyche. When we started on this journey, it seemed to me there was an extraordinarily wide variety of possibilities. I do think the range of possibilities has narrowed down somewhat. We're not getting the best case, and we're not getting the worst case.

I would say the range of possibilities on the economic side are still extraordinarily wide. We do not know exactly what happens when you voluntarily shut down a substantial portion of your society. I don't know of any parallel for the United States sidelining its economy and workforce, while creating a huge amount of anxiety and changing people's psyche.

This is quite an experiment. We may know the answer to most of the questions reasonably soon, though we may not know the answers to some very important questions for many years.

I would like to talk to you about the long-term economic future of the United States. I remain convinced that basically nothing can stop America. I was convinced of this during World War II, the Cuban Missile Crisis, 9/11 and the financial crisis.

We faced great problems in the past. We haven't faced anything that quite resembles this problem, but we faced tougher problems. America has always prevailed, and it will do so again.

If you were to pick one time to be born and one place to be born, and you didn't know what your sex was going to be, you didn't know what your intelligence would be, you didn't know what your special talents or deficiencies would be, you would not pick 1720, you would not pick 1820, you would not pick 1920. You'd pick today, and you would pick America. Ever since America was organized in 1789, people have wanted to come here. For 231 years, there's always been people that wanted to come here.

I think it's reasonable to say that wealth in the United States has increased by something in the area of 5,000 to 1 in real terms over the past 231 years. There's just no denying that that's beyond what anybody could have dreamt. But it was not done without some very serious bumps in the road. It was not 231 years of steady progress.

In the fall of 1930, people did not think they were in the Great Depression. They thought it was a recession. We'd had many recessions in the United States over the time, and this did not look like it was something dramatically out of the ordinary. During the Great Depression, the Dow average fell 89% from its peak. It took 20 years for the stock market to return to its prior price level.

I don't know what the market is going to do tomorrow, next week, next month or next year. I know America is going to move forward over time, and you're going to get a fine result if you own equities over a long period of time. Equities are going to outperform the 30-year treasury bond, which yields 1.25% now. They're going to outperform the money you stuck under your mattress. They are an enormously sound investment, so long as they're an investment and not a gambling device that you think you can safely buy on margin.

With stocks, people bring the attitude that because they are liquid and quoted minute-by-minute, that it's important to develop an opinion on them minute-by-minute. That's foolish when you think about it, which is something Ben Graham taught me in 1949.

Imagine for a moment that you decided to invest money now and you bought a farm. And the farmer next to you had an identical farm. And that farmer next door was a very peculiar character because every day that farmer said, "I'll sell you my farm or I'll buy your farm at a certain price." That's an advantage, to have a neighbour like that. That’s what you get with stocks!

The only thing you must do is remember that this guy next door is there to serve you and not to instruct you. You bought the farm because you thought the farm had potential. You don't really need a quote on it. Basically, you bought into the business. That's what you're doing when you buy stocks, but you get this added advantage that you have this neighbour who is going to give you a price every day. He's going to have his ups and downs, and maybe he'll name the price that he'll buy at, in which case you sell if you want to. Maybe he'll name a very low price, and you'll buy his farm from him. But you don't have to, and you don't want to put yourself in a position where you have to.

Stocks have this enormous inherent advantage of people yelling out prices all the time to you, but many people turn that into a disadvantage.

I hope I've convinced you to bet on America. I'm not saying that this is the right time to buy stocks in that they will go up instead of down. I don't know where they're going to go in the next day, week, month or year. I think I can buy a cross section and do fine over 20 or 30 years.

I don't know the consequences of shutting down the American economy. I know eventually it will work whatever we do. We do know that for some period, certainly during the balance of the year and potentially for a considerable period, our operating earnings will be considerably less than if the virus hadn't come along.

I would never take real chances with other people's money under any circumstances. Both Charlie and I come from a background where we ran partnerships. I started mine in 1956, and Charlie did the same thing six years later. Neither one of us ever had a single institutional investment with us – the money we managed had people's faces attached to it. We've always felt that our job is basically that of a trustee, and hopefully a reasonably smart trustee. So, we always operate from a position of strength.

There are times when money almost stops. We saw this in 2008 and 2009. In the day or two leading up to 23 March 2020, we came very close. Fortunately, we had a Federal Reserve that knew what to do. But investment grade companies were essentially going to be frozen out of the market in March.

CFOs all over the country have been taught to maximise returns on equity capital. Therefore, they would finance themselves using commercial paper because that was very cheap. They let the debt creep up. Then, of course, they all got scared by what was happening in markets, particularly the equity markets. So, they rushed to draw down lines of credit, and that surprised the people who had extended those lines of credit. The capacity of Wall Street to absorb the rush to liquidity that was taking place in mid-March was strained to the limit, to the point where the Federal Reserve decided they had to move in a very big way.

We got to the point where the US treasury market, the deepest of all markets, got somewhat disorganised. And when that happens, believe me, every bank and CFO in the country knows it. And they react with fear, and fear is the most contagious disease you can imagine. It makes the virus look like a piker.

We came very close to having a total freeze of credit. To the great credit of Jay Powell, the Federal Reserve reacted in a huge way and essentially allowed what's happened since that time to play out the way it has. March ended up being the largest month for corporate debt issuance in history. And then April was an even larger month. You saw all kinds of companies grabbing everything coming to market. And spreads actually narrowed. Every one of those companies that issued bonds in late March and April should send a thank you letter to the Fed because it would not have happened if they hadn't operated with unprecedented speed and determination.

We don't know the consequences of swelling the Fed's balance sheet. But we do know the consequences of doing nothing. That would have been the tendency of the Fed in many years past, doing something inadequate. Mario Draghi brought "whatever it takes" to Europe. In mid-March, the Fed did "whatever it takes squared", and we owe them a huge thank you.

But at Berkshire, we always prepare on the basis that we won't have a Fed Chairman that acts like that. We really want to be prepared for anything. So that explains some of the $124 billion in cash and bills on Berkshire's balance sheet. We never want to be dependent on the kindness of strangers, or friends.

Berkshire had $500 billion or so in market value at the start of the year. We only bought $1.7 billion of stock in the first quarter. We had operating earnings of almost $6 billion, so we did very little in the first quarter.

In the month of April Berkshire net sold $6 billion or so of securities. That isn't because we thought the stock market was going to go down. I just decided that I'd made a mistake in evaluating our investment in the airline business.

When we bought the airline stocks, we were getting an attractive return on our money. We bought roughly 10% of the four largest airlines, paying $7 billion or $8 billion. We felt that we were getting $1 billion of earnings, which we thought was more likely to go up than down over time.

It turned out I was wrong about that business because of something that was not in any way the fault of four excellent CEOs. The companies we bought were well managed.

I think the airline business has changed in a very major way. I don't know whether it will be two or three years from now that people will fly as many passenger miles as they did last year. The future is much less clear to me about how the business will turn out. The airline business has the problem that if the business comes back to say 70% or 80% capacity, the aircraft don't disappear. So, you've got too many planes. The world changed for airlines. I wish them well.

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Q&A Session

Q: Why did Berkshire Hathaway sell out of the US airlines?

Buffett: The four largest U.S. airlines – American Airlines, Delta Air Lines, Southwest Airlines and United Continental – collectively account for at least 80% of the revenue passenger miles in the United States. We like those airlines, but the world has changed for airlines in general.

I don't know whether Americans will change their habits because of an extended period of semi-shutdown in the economy. I don't know whether the trend of people communicating by phone instead of travel will persist. I mean, it's been seven weeks since I've had a haircut. It's been seven weeks since I put on a tie. It's just a question of which sweatsuit I wear. So, who knows how we come out of this.

I think that there are certain industries, including the airline industry, that are really hurt by a forced shutdown.

We put $7 billion or $8 billion into the airlines. We did not take out anything like $7 billion or $8 billion, and that was my mistake.

Q: Did you sell your entire stake in all four of those airlines?

Buffett: Yes. When we sell something, very often, it's going to be our entire stake. We don't trim positions, that's just not the way we approach it. If we like a business, we're going to buy as much of it as we can and keep it for as long as we can. But when we change our mind...

Q: Warren, why are you recommending listeners to buy now when you're not comfortable buying, as evidenced by your huge cash position?

Buffett: There are things that I think are quite improbable that could happen. I hope they don't happen, but that doesn't mean they won't happen. I mean for example, in our insurance business, we could have the world's largest ever hurricane. That doesn't preclude having the biggest earthquake a month later. So, we don't prepare ourselves for a single problem. We prepare ourselves for problems that sometimes create their own momentum.

In 2008 and 2009, you didn't see all the problems the first day. What really kicked it off was when Freddie Mac and Fannie Mae went into conservatorship in early September 2008 and then when money market funds broke the buck. There are things that trip other things, and we consider a worst-case scenario that probably is a considerably worse case than most people contemplate.

I'm not recommending that people buy stocks today or tomorrow or next week or next month. I think it all depends on your circumstances. But you shouldn't buy stocks unless you expect to hold them for a very extended period, and you are prepared financially and psychologically to hold them the same way you would hold a farm and never look at a quote. You're not going to pick the bottom and nobody else can pick it for you. You've got to be prepared, when you buy a stock, to have it be down 50% or more and be comfortable with it.

Two years ago, in the Annual Report, I pointed out that there have been three times in Berkshire's history when the price of Berkshire stock went down 50%. If you held it on borrowed money, you could have been cleaned out. There wasn't anything wrong with Berkshire when those three times occurred.

If you can't handle it psychologically, then you really shouldn't own stocks because you're going to buy and sell at the wrong time.

I don't know whether today is a great day to buy stocks. I know it will work out over 20 or 30 years. I don't know whether it will work out over two years at all.

We're not doing anything big, obviously. We're willing to do something very big. I mean, you could come to me on Monday morning with something that involved $30 billion or $40 billion or $50 billion. If we really liked what we were seeing, we would do it.

We haven't seen anything attractive. The Federal Reserve did the right thing, and they did it very promptly. But that means that a lot of companies that needed money and probably should have done their financing a little earlier got the chance to finance in huge ways in the last five weeks. There are some pretty marginal companies that have also had access to money. There is no shortage of funds at rates below where we would invest. So, we have not done anything because we don't see anything that attractive to do.

Now that could change very quickly, or it may not change. But in 2008 and 2009, the truth is, we weren't buying those things to make a statement to the world. We bought them because they seemed like intelligent things to do, and markets were such that we didn't really have much competition. We did it to take advantage of what we thought were very attractive terms offered while the market was in a state of panic.

The market in equities was in a state of panic for a short period of time when the virus spread to the United States. And the debt market was in the process of freezing. But that changed dramatically when the Fed acted. Who knows what happens next week, month or year. The Fed doesn't know, and I don't know. There are a lot of different scenarios that can play out. Under some scenarios, we'll spend a lot of money. In other scenarios, we won't.

This is a very good time to borrow money, which means it may not be such a great time to lend money. It's good for the country that it's a good time to borrow money, but not good for Berkshire.

Q: Berkshire itself has a Fort Knox-like balance sheet, but some of its operating companies may be tight on cash during the pandemic. Would Berkshire consider sending cash to its operating companies to ensure that they can get through the pandemic?

Buffett: We've sent money to a few, and we're in a position to do that. We're not going to send money indefinitely to anything where it looks like its future has changed dramatically from what it was a year ago. We made that decision in terms of the airline business. We took money out of the business at a substantial loss. We will not fund a company where we think that it's going to chew up money in the future.

We are not in the business of subsidising any companies with shareholders' money.

Q: Has Berkshire changed its long-term policy regarding not closing or selling underperforming subsidiaries?

Buffett: No. That policy has been spelled out for maybe 30 years in the Annual Report. We have said that if a company will continually lose money in the future, we will close or sell it.

You can say, in effect, that we did that with the airline industry. If we owned all of an airline now, it would be a tough decision to decide whether to sustain billions of dollars in operating losses. It's very likely that there will be too many planes around. And we know what happens in airline pricing when there's an oversupply of airline seats.

We're going to have aircraft in this country. We're going to be flying, but the real question is whether you need a lot of new planes or not and when you're likely to need them.

We shut off air travel in this country. And what that does to people's habits, how they behave in the future, it's just hard to evaluate. I don't know the answer.

Q: Do you see Berkshire offering pandemic coverage in future insurance policies?

Buffett: Well, the answer is we insure a lot of things. Sure.

We had someone come to us the other day wanting insurance involving a $10 billion protection on something very unusual. We're not going to make that deal in all probability. But we would have written pandemic insurance if people had come to us and offered us what we thought was the right price.

We have no reluctance to quote on very unusual things and very big limits. We're famous for it. We haven't done that much of it in certain periods because the prices aren't right.

Q: There's already speculation of a post-Buffett breakup of Berkshire. Why should Berkshire maintain its current architecture?

Buffett: If you were to sell Berkshire's various subsidiaries, you would incur a very significant amount of tax. You can spin off a given subsidiary. And there's imaginative ways where people try to avoid taxes and can do it in some cases.

But there's enormous advantages in capital deployment within Berkshire. So, there is not a big discount to break up value embodied in Berkshire's share price.

Now, I will tell you, everybody in the world will come around and propose a transaction and say it's wonderful for shareholders, and by the way, it involves huge fees. You're not getting impartial advice from Wall Street when there's an enormous amount of fees involved.

Abel: The capital allocation advantage is critical, in that we have the ability to move the capital amongst the operating businesses or insurance with really no consequences to our shareholders. That's the value driver of the unique structure of Berkshire. It creates immense value.

Q: What are your thoughts on negative interest rates?

Buffett: Well, if interest rates were going to be negative for a long time, you better own equities. You better own something other than debt.

It's remarkable what's happened in the last 10 years. I've been wrong in thinking that you could have the developments you've had without inflation taking hold.

Berkshire has $120 billion of treasury bills and cash. Those treasury bills are paying us virtually nothing. They are a terrible investment over time, but they are the one thing when opportunity arises that you can look to if the rest of the world has stopped.

If the world turns into a place where you can issue more and more money and have negative interest rates over time, I'd have to see it to believe it.

If you can have negative interest rates and pour out money and incur more and more debt relative to productive capacity, you would think the world would have discovered it in the first couple of thousand years, rather than just coming on it now. We will see.

It's probably the most interesting question I've ever seen in economics – whether we can keep doing what we've been doing. The world has been able to do it for a dozen years or so now. But we may be facing a period where we're testing the hypothesis that we can continue it with a lot more force than before. Greg, do you have any thoughts on that? I wish I knew the answer, maybe you do.

Abel: No, we don't know the answer. But as you said, some of the fundamentals right now are very interesting relative to having a negative interest rate, but no, I hate to say it, but I don't have anything to add.

Buffett: I'd love to be Secretary of the Treasury, if I knew I could keep raising money at negative interest rates. That makes life pretty simple.

We're doing things where we really don't know the ultimate outcome. I think in general, they're the right things, but I don't think they're without consequences. I think there could be extreme consequences if pushed far enough, but there would be extreme consequences if we didn't do it as well.

Q: Berkshire has invested in many capital-intensive businesses through the years, including railroads. How do you think about the inflationary or even deflationary risks for capital-intensive businesses?

And separately, do you think that we will see higher taxes as a result of higher government debt levels?

Buffett: I certainly think that increased corporate taxes are a much higher probability than having lower corporate taxes. We could very easily have higher corporate income taxes and perhaps much higher corporate income taxes at some point.

In terms of capital-intensive businesses, they're just not as good as a business that doesn't require capital. See's Candies never required capital. It didn't grow, but it delivered enormous sums to us. And because we own it within Berkshire, to redeploy it elsewhere didn't require a lot of tax expense, either at the corporate level or at the personal level.

You really want a business that doesn't take any capital to speak of and keeps growing.

Our utility business requires more capital as it grows. Our railroad business requires more capital even if it doesn't grow. So capital-intensive businesses, by their nature, are not as good.

The top four or five companies in the United States account for maybe $3 trillion to $4 trillion of value, out of a market valued at $30 trillion. These businesses don't take much capital. And that's why they're worth a lot of money. We own some businesses like that, but it's certainly not the railroad or the utility business. They're good businesses. We love them. But if they didn't take any capital, they'd be unbelievable. That's what we've learned from 50 or 60 years of operating businesses – if you can find a great business that doesn't require capital when it grows, you've really got something.

To a certain extent, because insurance uses the kind of assets we would like to own anyway, our insurance business doesn't really take capital. It requires having capital available, but we're able to invest that money largely in things we'd like to own anyway. So, we're particularly well suited for the insurance business, and it's really been the most important factor in our growth over the years.

Greg, you were in a capital-intensive business, tell us about it.

Abel: Well, I think there's no question, obviously, we prefer to be in less capital-intensive businesses.

But when we're looking at energy or rail, we do have a certain amount of pricing power. So if we move into an inflationary period, those businesses generally can recover a significant portion of their cost, and even earn a reasonable return. They're not going to be great returns, as you highlighted, Warren, but they're still going to earn a reasonable return on their capital, even in an inflationary period.

Buffett: Yes, if there was 10 for 1 inflation, make it extreme, we'd be happy we own the railroad, very happy. We've been investing a lot of capital in it. That business is, in my view, a very solid business for many decades to come. I said originally, we bought it with 100-year time horizon, and I've extended that. So, it will earn more dollars if there's a lot of inflation. In real terms, who knows? It would earn a lot more dollars, but it's better if we don't have inflation.

Q: Given the unprecedented economic environment and government debt levels, could there be any risk of the US government defaulting on its bonds?

Buffett: No. The United States has been smart enough and people have trusted us enough to issue debt in our own currency. Argentina is now having a problem because the debt isn't in their own currency. Lots of countries have had that problem and lots of countries will have that problem in the future. It's very painful to owe money in somebody else's currency.

If I could issue a currency and could borrow money in that currency, I would never default. What you end up getting in terms of purchasing power can be in doubt.

When Standard & Poor's downgraded the United States government some years back, that, to me, did not make sense. In the end, how you can regard any corporation as stronger than a government which can print the money to pay you? So, don't worry about the government defaulting.

Q: Berkshire has invested in many companies with stock buyback programs. Recently, there's been a backlash against buybacks. What are your views on this subject?

Buffett: Well, it is very politically correct to be against buybacks now. There's a lot of crazy things said on buybacks. Buybacks are so simple. It's a way of distributing cash to shareholders.

Let's just say that you and I and Greg decided to buy an auto dealership or a McDonald's franchise. We each put $1 million in. One of us really wants to spend our share of the earnings, while the other two want to leave the money in the business to grow. Now, if the three of us did that, and we're the only shareholders, we would not establish a 100% dividend payout policy for everybody. We wouldn't freeze the one that wanted to get cash out either. The logical thing to do is for the company to buy a portion of their stock.

Whether a company should buy back stock depends on a couple of things. One is they ought to retain the money they need for intelligent growth prospects. And secondly, a point that's never mentioned, they should be buying it back below what they think it's worth. We will repurchase shares when it is to the advantage of the continuing shareholder to have us do so.

When the conditions are right, it should be obvious to repurchase shares, and there shouldn't be the slightest taint to it compared to dividends.

Greg?

Abel: I think the one thing we saw was companies engaged in financial engineering, buying back stock and leaving no cushion for any type of bump in the road. I think that's very unfortunate, and hence you get some of the backlash. But there are still many companies, as you highlighted, that do it right.

Buffett: Yes, I've been witness to some programs where it really was stupid. But I don't think it's immoral, I think it's stupid.

But if they find their stock selling below what the business is intrinsically worth, I think they're making a big mistake if they don't buy in their stock.

It's going to be a political football. When it becomes politically correct to do something in this country, if you're a politician, the best thing to do is get on board. But Berkshire is going to do what it thinks makes sense for our shareholders. And we like investing in companies that think that way, too.

Q: Warren once said that banking is a good business if you don't do dumb things on the asset side. The pandemic might expose dumb things that have been done over the past few years. What clues do you look for to decide whether a bank has avoided doing dumb things?

Buffett: That's a very good question, but I would say the one thing that made Chairman Powell's job a little easier is that the banks are in far better shape than 2008-2009.

In 2008 and 2009, the banks had done some things they shouldn't have done, and they were certainly in a far different financial condition.

The banks need regulation. They benefit from the FDIC, and part of having the government standing behind your deposits is to behave well. I think that the banks have behaved very well, and I think they're in very good shape.

The banks are not presently part of Chairman Powell's problem, whereas they were very much part of Chairman Bernanke's problem back in 2008 and 2009.

How will you spot the people that are doing the dumb things? It's not easy, but I don't see a lot that bothers me. If problems become severe enough in an economy, even strong banks can be under a lot of stress and we'll be very glad we've got the Federal Reserve standing behind them. But I don't see special problems in the banking industry.

You can dream of scenarios that put a lot of strain on banks, and they're not totally impossible. And that's why we have the Federal Reserve. But I think overall, the banking system is not going to be the problem. But I wouldn't say that with 100% certainty. They're going to have problems with energy loans. Some are going to have extra problems with consumer credit. They're well capitalised for it. They may need to build more reserves, but they are not a primary worry of mine at all. We own a lot of bank stocks. Greg, do you have any thoughts on it?

Abel: Just in general, we don't know how long this pandemic will go. We don't know if there's going to be a second event. These are just risks that are really unknown at this time. The banks will have to continue to manage that as businesses do.

Q: Why didn't you repurchase Berkshire shares in March when they dropped to a price that was 30% lower than the price you were buying at in January and February?

Buffett: It was very short period where they were 30% less. I don't think Berkshire shares relative to present value are at a significantly different discount than they were when we were paying somewhat higher prices.

John Maynard Keynes said "when the facts change, I change my mind. What do you do, sir?"

I don't feel that it's far more compelling to buy Berkshire shares now than I would have felt three, six or nine months ago. It's always a possibility, and we'll see what happens.

The value of certain things has decreased. Our airline position was a mistake. Berkshire is worth less today because I took that position than if I hadn't. And there are other decisions like that. It is not more compelling to buy the shares now. The price has not gotten to a level where it really feels way better to us than other things, including the option value of money.

Q: Warren, what's your opinion on the government's Paycheck Protection Program loans?

Buffett: Well, I don't want to get into politics, generally, but I think it's a very good idea to take care of the people that are having terrible trouble taking care of themselves in a period like this.

The government is telling people to quit doing business for a long time, including people living from paycheck to paycheck. So, I'm all for it.

It must be hell to administer. There's going to be a certain amount of fraud.

I give real credit to Congress for acting promptly. They learned from 2008 and 2009, I think. And I give credit for trying to do what I think is very much the right thing. I don't sit around and think about how I could do it better.

Q: Warren, this question comes from Bill Murray, the actor, who is also a shareholder in Berkshire. He says this pandemic will graduate a new class of war veterans – in the health care, food supply, delivery and community services industries. How might this great country care for all of them?

Buffett: Well, we won't be able to pay. It's like the people that landed at Normandy. The disadvantaged, they suffer. At the same time, they're working 24-hour days and we don't even know their names. So, we ought to do things that can help those people.

We are a rich country. You really want to create a society where anybody that works 40 hours a week can have a decent life. They can't live like kings, but nobody should be left behind.

It's like a rich family. A rich family may have five or six heirs. They will try to pick the most able one to run the business, but they don't forget about the rest.

We've gone in that direction. We did come up with social security in the 1930s. We have become very rich as a country, and things have improved for the bottom 20%. I'd rather be in the bottom 20% now than be in the bottom 20% 100 years ago. But things have really improved for the top 1%.

I hope we, as a country, move in the direction that Bill Murray is talking about. It isn't going to hurt the country's growth and it's overdue.

Greg?

Abel: Yes, the only other group that I would highlight – we've always had so much respect for teachers, but we all talk about how we don't take care of them. With the amount of home schooling happening, it is remarkable to hear how many people suddenly respect schools and teachers.

Q: Many people in the press and politics are questioning the validity of capitalism. What can you say to them that might prompt them to look at capitalism more favourably?

Buffett: Well, the market system works wonders. It's also brutal if left entirely to itself.

We wouldn't be the country we are if the market system hadn't been allowed to function.

The market system is marvellous in many respects, but it needs government.

I do not want to come up with anything different than capitalism, but I certainly do not want unfettered capitalism. I don't think we'll move away from it.

Finally, I would just say again – I hope we don't, but we may get some unpleasant surprises. We are dealing with a virus that spreads its wings in very unpredictable ways and it is unclear how Americans will react to it. There are all kinds of possibilities, but I definitely come to the conclusion, after weighing them up, never bet against America.

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

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