

This is a transcript of Warren Buffett's complete interview with CNBC's Becky Quick on Wednesday, September 22, 2010. Portions of their conversation aired today (Thursday) on Squawk Box.

Buffett was in New York for a [Goldman Sachs event](#) celebrating the first graduates from the firm's "[10,000 Small Businesses](#)" initiative.

BECKY QUICK: Warren, thank you for joining us today.

WARREN BUFFETT: My pleasure.



BECKY: This is, the event, the 10,000 Small Businesses, it's been hosted by Goldman Sachs. You're one of the co-chairs of that. But, you can talk about small business all day long. What is this really about?

BUFFETT: Well, this is really about giving these, in this case, 23 students, sort of a crash course in a lot of subjects that are gonna be useful to them in running their small businesses. Now, these people are already successful. I mean, they, they, during the time to the course, a number of them added employees. And so, we're not talking about hotdog stands here. We're talking about about real businesses.

But they learn things like negotiations. How many, how many people have had a chance really, if you had a parent that could teach you something, that would be one thing. But, but it's important. And I had two of 'em, told me earlier, one of 'em negotiated down her lease, another one's negotiating up her franchise payment. I mean, it, it, it's, they're learning important skills. But they've got the motivation to do it, too. These people are self-starters.

BECKY: Why did you get involved with this program?

BUFFETT: Well, I just think it's terrific. I mean, the idea you know, I had all kinds of lucky things going for me. And my people that taught me a lot of stuff when I was eight or ten years old, been useful subsequently. And some of these people have had some of that. But there's nothing like combining education, in this case, they get mentoring, and then they get financing. So, that's, that's a big push towards success.

BECKY: What's the state of small business right now? We hear an awful lot, from some arenas that small businesses are having trouble getting credit. We hear in other places, that's not the case.

BUFFETT: Yeah.

BECKY: What do you think's happening?

BUFFETT: Well, my experience is that they, they, they really, the business has reasonable equity, reasonable prospects. Now, you, if you want to start a business and have no equity, you can try and borrow the whole thing, you shouldn't get the money. I mean, it, it, so, a lot of dumb loans were made three, four, and five years ago. And not only in real estate, but, but in, commercial businesses.

But the banks I know are dying to get the money out. Right now, there's over a trillion dollars of the banks, and they only have deposits of \$7 or \$8 trillion, there's over a trillion dollars on deposit with the Federal Reserve, earning a quarter of one percent. You go broke with a bank earning a quarter of one percent on your money, even if it doesn't cost you anything. Your operating expenses will eat up. So, you want to get it out in loans. And, there is, there is, there is money available.

BECKY: So, how are small businesses faring right now, if you had to look overall? Obviously, everyone's in a different position. But overall, how do you think they're doing?



BUFFETT: I think they're doing about like the economy is. That they, they've been through, a terrible period. And I know some in Omaha, and Omaha hasn't been as hard hit as many others, but all businesses went through a terrible period. And, and basically, the government did the right thing in terms of getting the economy going again. It can't do it overnight

or anything of the sort. I think most small businesses have come back somewhat. But they've, they, they're nowhere near their peaks.

BECKY: The NBER said this week that the recession officially ended back in June of last year.

BUFFETT: Well, they define it differently. (Laughs.) But I, I mean, I define it, I think we're in a recession until real per capita GDP gets back up to where it was before. That is not the way the National Bureau of Economic Research measures it. But I will tell you that to any, on any common sense definition, the average American is below where he was before, or his family, in terms of real income, GDP. We're still in a recession. And, and we're not gonna be out of it for awhile, but we will get out of it.

BECKY: We're not gonna be out of it for awhile meaning, you can see what? A quarter, two quarters, a year down the road? Just from your businesses are telling you?

BUFFETT: Our businesses are coming back, on average, we've got 70-some businesses. But most of them, the great majority are coming back slowly. If you take our railroad business (Burlington Northern Santa Fe), and our railroad business is typical of the other railroads in the company. If you take the peak period for shipments and then you go all the way down to the bottom, we're 61 percent of the way back up. That's better, I think, than most businesses are in the country. I don't think most businesses are 61 percent, our carpet business, our brick business, our insulation business, they're not back 61 percent, but they are moving back.

BECKY: What about from an employment perspective. We still have nine and a half percent unemployment in the country. What are your businesses doing right now in terms of hiring?

BUFFETT: Adding, very few people. But the, the, the railroad will have added a fair number of people, because if you've come back 61 percent, you've come back a fair amount unemployment. But if you take our carpet business, it fell from 13 million yards a week, we'll say, to seven million yards a week. And with that cost 6,500 jobs. We're back up to maybe nine million yards a week. But we haven't had to add yet. If we get to ten million, we'll start adding people. But it, it's lagging and it'll continue to lag.

BECKY: The Fed's Federal Open Market Committee also met this week and came out with a statement that has many looking at it saying the Fed is now poised to go ahead with QE2, quantitative easing, if the economy doesn't improve, at this point. Is that your understanding of that? And you think that's the right call?

BUFFETT: We've got three tools really in fighting a recession. And the ones you read about are [monetary policy](#), which is the Fed. And, of course, [fiscal policy](#). I think the most important factor in getting out of the recession actually is just the regenerative capacity of American capitalism. And we had many recessions in the history of this country when nobody even heard of fiscal policy or monetary policy. The country always comes back.

There are 309 million people out there that are trying to improve their lot in life. And we've got a system that allows them to do it. It doesn't allow things to get changed overnight, though. And, and, it's, it's important to have the right monetary policy. It's important for, to have the right fiscal policy. But it's nowhere near as important as just the normal regenerative capacity of American capitalism.

BECKY: It sounds like you're asking for patience. That that's what it takes to get through this.

BUFFETT: Well, unfortunately, I just, I don't know how to do it. I mean, if, if it was a question of, you know, I think the Fed is paying those banks a quarter of a percent now. I thought maybe, maybe they ought to charge them a quarter of a percent to leave their money on deposit and that would really push it out. (Laughter.) But, but I mean, we've used up a lot of bullets. And we talk about stimulus. But the truth is, we're running a federal deficit that's nine percent of GDP. That is stimulative as all get out. I mean, that is more stimulative than any policy we've followed since World War II.

And, of course, World War II, we had a huge stimulus and it, it took us out of, a depression. But we are, it doesn't depend on calling it the 'Stimulus Bill' to be stimulating. I mean, if the government is spending \$3 for every \$2 it takes in, that is, that is fiscal stimulus. And it isn't kick-starting things as much as the American public would like. I'm sure as much as the Administration or Congress would like. It's probably had some effect, probably less than the economists thought it would have going into this.

What will take us out of this is people like these 23 people that, that [we gave a diploma to today](#). And big business. I mean, everybody glorifies small business. God bless 'em, you know? And, and I'm not supposed to talk about mother on Father's Day. But, but I would say that, remember, the jobs that medium-sized businesses, large businesses, giant businesses, they're all important.

BECKY: For all of those businesses to be hiring, has Washington done enough at this point? Would you like to see more done? It sounds like from a stimulus perspective, you've seen enough. Maybe from the Fed's perspective, you've seen enough. Is there anything you'd like to see different in tax structure?

BUFFETT: Well, I think for one reason or another, and everybody has their own explanation, sentiment has turned very sour in the last three or four or five months. It's been generally sour on Congress and Washington, but it seems to have taken a turn for the worse. I hope we get over it pretty soon, because it's, it's not productive. We will come back regardless of how people feel about Washington. But, it's not helpful to have people as unhappy as they are about what's, what's going on in Washington. And, I'm not sure exactly what's gonna get us out of that, but we'll get out of it.

BECKY: [Larry Summers announcing this week](#) that he'll be leaving the White House. He is the third of the four key economic advisors for Obama's White House. What do you think about his departure? And where do you think they should be looking for his successor? Would it be someone who's a CEO? Would it be an economist?

BUFFETT: It would be, it would be nice if he, if you could find somebody that the American people, and American business, felt good about. On the other hand, you can't have somebody that goes off, totally off the reservation, if you put 'em in there. I mean, you know, (former General Electric Chairman) Jack Welch might be a wonderful guy, but I think you'd be a little nervous if you were the administration and you put him in that position. But you need somebody that, of that stature going in. And I don't think it's, I don't think it's that important whether they're a trained economist or not. But no, they may disagree with me on that.

BECKY: So, you would like to see someone with a business background, who's been a leader in business?

BUFFETT: Yeah. And who has the respect, not only of business, but the American people generally. I think that, I just think it's important that, that people feel better about their government and they've got to be given some reason to feel better about their government.

BECKY: Any ...

BUFFETT: You know, people talk about this being an uncertain time. You know, all time is uncertain. I mean, it was uncertain back in 2007, we just didn't know it was uncertain. It was uncertain on September 10th, 2001. It was uncertain on October 18th, 1987, you just didn't know it. We always live in an uncertain world. What is certain is that the United States will go forward over time.

BECKY: Tax policy has been another huge topic as the tax cuts are due to expire....

BUFFETT: Right.

BECKY: ... if they're not renewed. The President has put forth his position. Which is that - they should be extended only for the middle class and not for the upper three percent. Peter Orszag, his outgoing budget director, said that he'd like to see that, too. But if it's not politically feasible, [he'd rather see tax cuts passed for everyone](#) than for no one. What do you think?



BUFFETT: Well, I don't think they'll end up being passed for no one. So, I think that — but Peter did put the argument that way. He, he didn't say this is the most desirable policy, he just said this is the most politically feasible policy. But the way the tax system has gotten tilted toward guys like me over the last 20 years is, as opposed to the middle class, you know, in my view, is a little obscene. So, I think, I'm not saying \$250,000 necessarily. But at the high end, and the people who are getting their huge incomes through capital gains and, I just, I just think that when a country needs more income and we do, we're only taking in 15 percent of GDP, I mean, that, that, when a country needs more income, they should get it from the people that have it.

BECKY: You think it's okay to raise taxes at a time when the economy's uncertain?

BUFFETT: I think, sure. On some people. Yeah. I don't want to raise 'em on 90, you know, 98 percent of the people, but, but, no, I think the inequities that have gone into the tax code in the last 20 or 30 years compared to the situation that existed when this country was very prosperous in 1960, 1970, 1980 and so on, I think it's, I just think it's been tilted toward the rich.

BECKY: You said that you think it is politically feasible to get something passed, but if the President has to compromise to get something through, do you think he should?

BUFFETT: In the end, he has to do something. I mean, that, the laws expire by their nature. No, I, but, I, I'd play pretty tough if I was him (LAUGHS).

BECKY: Warren, I want to thank you for your time.

BUFFETT: Thanks. Thanks for inviting me.

BECKY: Thanks.