

KUNHARDT **FILM** FOUNDATION

CAROL LOOMIS INTERVIEW
BECOMING WARREN BUFFETT
KUNHARDT FILM FOUNDATION

CAROL LOOMIS

April 18, 2016

Interviewed by: Peter Kunhardt

Total Running Time: 1 Hour 28 Minutes

TITLE

Tap dancing to work

10:11:12:10

CAROL LOOMIS:

It's a phrase that Warren had used, I think imprinted sometime in which he said that his whole life was focused on—on—on Berkshire and he said, "I love my work so much, I describe myself as tap dancing to work." And—and so when we were searching for a title for a book, and some very inappropriate ones were coming up, I suddenly thought of this one and I thought, that's it. And fortunately Warren agreed and the publisher agreed too. Warren loved it, from the minute—he said that, "I'm in for that!" It is just as appropriate as it has always been. He truly loves to do what he does.

TITLE

On their friendship

10:12:21:07

CAROL LOOMIS:

I—I speak to Warren a lot. First of all, there are a couple of things that we do during the year that I participate in, so I'm always involved over November, and December and January and February with the annual letter. That's a lot of work between the two of us. He—he writes it, I edit it, I send it back to him, he makes some suggestions and some changes according to what I've suggested. He sends it back to me: I make some of the same suggestions that if I really feel strongly about them and sometimes they get picked up and sometimes they don't but on top of that, we talk a lot. And when I was at *Fortune*, we talked

really, really a lot. We talked almost every day because there were a lot of things coming up in the business world that were interesting to both of us and so we would talk. We don't talk quite as much today but we—we—we do talk about important things and the two of us are always feel free to call the other so that's how it works.

TITLE

Weekly bridge games

10:13:38:06

CAROL LOOMIS:

Warren and I play bridge together one night a week online. He also plays a lot with a world champion named Sharon Osberg and that's—that's a great thing. I don't let much interfere with my Monday nights.

I would say Warren is—in bridge as much as he is in business, he's very competitive. He doesn't like to make mistakes. He doesn't like to be frozen into rules that other people might think were mandatory for them to have. He likes to be a little more flexible than that. He plays his cards extremely well. He sometimes will take a little bit of a flier on a bid but he's a very good player and I'm sorry to say he's better than I am. Not much more but he's better than I am.

10:11:03:14

We were playing bridge at Kay Graham's apartment in New York over on the east side. I think the other two players were probably my husband, John Loomis and a friend of ours, George Gillespie although the constitution of the bridge game sometimes changed. And they wanted a picture for *Fortune Magazine* where I worked and they said lets get one at the bridge table so I went—went over and sat down and pulled my cards back, tried to look like—exactly like we were playing, and Warren on a spur of the moment leaned over to look at my cards and I broke into laughter. It was—it was perfect, it was a great example of his sense of humor which is—is very extraordinary. When people say things to him, his instinctive wish is to say something funny back and he—he manages to do that a greater number of times than almost any person I know.

TITLE

First hearing about Warren Buffett

10:12:22:07

CAROL LOOMIS:

I first came to hear about Warren Buffett when my husband who was a—always worked in Wall Street jobs and was working for a small institutional firm at that time was assigned the Mid West to cover and he read about Warren, never had heard of him. Here was this fellow in Omaha who seemed to be making a move in investments and Warr—John wrote him a letter and said, “I’m going to be in Omaha on Monday, could I possibly come over to see you?” And to me, the amazing fact is Warren saw John because he never got his ideas from securities salesmen yet here he was willing to have John stop by and they went out to lunch, had a good time. I’m sure that John told him I work for *Fortune*. I’m sure that Warren was immediately interested because he had said, that if he hadn’t been an investor, he would have been a journalist and that would have been a great loss for the investment world but a really a great gain for the journalism world.

10:13:32:18

And—so when he and Susie, his late wife Susie came to New York not very long after that, they asked us to have lunch and first I—John came back from this meeting with Warren and said, “I think I may have met the smartest investor in the country.” And I’m sure I rolled my eyes like wives do when their husbands overstate things, but I said, “oh yes, ok.” And then when we went to lunch with Susie and Warren a couple of months later, I said, this guy is the smartest investor in the country. If not, the smartest guy. I’ve never been sure it’s been limited to investments.

TITLE

Warren and investing

10:14:30:12

CAROL LOOMIS:

Well, about investments, his father once said of him, “That boy can see around corners where investments are concerned.” And I do think that he can—he does have a vision for investments that other people find it extremely hard to duplicat—duplicate and he has a philosophy to go

with it. And he sticks with the philosophy and he's incredibly patient, which most investors are not. That is a big failing of investors. And then he knows business so well. He has a better grasp of business than anybody I know, of all businesses. And if it's one he doesn't know, he's willing to take the time to learn it, he's willing to be patient about that and he brings this incisive mind to the job. His IQ is off the charts. All the Buffett children were tested for their IQ when they were kids. I'm not sure that Warren was even the highest, the girls I think were extremely high but his IQ is way, way up there and he has the ability to use it in ways that are beyond other people. He's amazing.

TITLE

Warren's childhood

10:16:02:07

CAROL LOOMIS:

Warren's childhood was as you—indeed I did not know him at all at the time so I only know what I've heard. He was not close to his mother. He never would talk very much, at least to me about the relationships between him and his mother. He was extremely close to his father. His father was his hero. I think he was a hero to his sisters also. But Warren grew up thinking of his father as the man he would most like to emulate and it was something that's never left him. To this day, that he says that his father influenced him immeasurably and installed in him a code of ethics that he's never ever stopped following.

10:17:04:18

I did meet his mother. At one time as a matter of fact, I made a special effort to—to interview her. I thought at one time I might write a book about Warren. As I've described it, it was all hat and no cattle. And we never ended up doing it, primarily because he didn't want to put the time in that it would have taken just knowing how many hours he would have to be thinking about the book even though I was going to write it. And anyway, for that I interviewed his mother. Prob—it was probably the second time I had met her. I interviewed Bertie, his younger sister and so I—I did—I did talk to his mother. I came away with the feeling that she didn't influence him very much. I think there was a gap between them and he was—he and his mother sort of got

along—well they didn't get along but they sort of lived parallel lives and he was mainly influenced by his father, very much so.

TITLE

Warren's love of boxing

10:18:45:16

CAROL LOOMIS:

I think that one thing they would be surprised to know about Warren if they didn't know him and—and hadn't read is that he loves prizefights, boxing. He watches every Friday night. He has even had Floyd Mayweather, the boxer on a Buffett movie. That just always has struck me as one of those idiosyncratic things that you just qui—can't quite imagine for Warren Buffett. I don't—otherwise, his personality is sort of out there. What you see is what you get.

TITLE

The game of business

10:19:37:06

CAROL LOOMIS:

When he says that business is a game that he plays, I think he means that he's not in it for the money but that it's the most astounding game that exists, for anybody who has his talents and interests and he enjoys playing it better than anyone else has and it's—it's extraordinary what he's accomplished. Berkshire is an amazing company, fourth largest company in the Fortune 500. He is the only man, only person I should say in the—in the history of the Fortune 500, which is now 50 years old who has ever from scratch from a tiny little company built a company that is in the top ten of the Fortune 500. Berkshire Hathaway is—is an amazing company and sometimes I think that people don't realize just how amazing it is.

TITLE

Warren's social interactions

10:21:03:16

CAROL LOOMIS:

Well Warren Buffett probably is the most rational person I've ever met. Charlie Munger would be a close rival, maybe—maybe one would have the edge. And—and most people are not as rational as Warren and Charlie are. And so I think that when he was dealing with people, he was expecting rationality and they—they were not behaving that way. So I think that was what he—and they—they would say things also that they did not—that were—they would say things that were not exactly honest knowing that they weren't—going to quite live up to them whereas he always knew that what he was going to do he was going to live up to and I think those were things that he found it hard to accommodate in the way that other people be—reacted.

TITLE

Warren's values

10:22:15:14

CAROL LOOMIS:

Warren's values are to be very honest, to do what you're going to say—say. When Berkshire Hathaway makes a bid for a company, there are people who are out there in the world who think this bid isn't going to go through and the fact is, that bid is always going to be accomplished, always going to be followed through on and so that's a big part of his values. His values are to never—never equivocate although he can be—he has a great deal of judgment about how to handle people and so he may be very tactful in what he says but basically he—he wants to lead a life that he and his father—if his father was still living would say is a good one. And his values extend through all of his life. He does not have a pers—one personality he brings to business and one personality he takes home, that is absolutely not the way he is. He's got a set of values that he sticks to.

TITLE

Susie

10:23:54:00

CAROL LOOMIS:

Susie was one of the warmest and charming people that I've ever met. She was extremely empathetic. She had a great interest in other people. She could have been a journalist in one way because Warren used to talk about that if—if Susie sat by somebody at the end of—at a dinner, that a half an hour later they were—had given her—taken her into their complete confidence and they would know she would go home thinking about it. And very smart, very interested in—in—in doing the right things and using the money that the Buffett's came to have in ways that would be beneficial for people who weren't so lucky. She was an extraordinary person.

10:25:10:06

I absolutely would say that Susie led Warren toward interacting socially and changing his political views. He grew up as a young republican: his father was a republican congressman. Warren had nothing in his early life that would suggest he could have been a strong democrat but Susie saw things in different ways and led him—led him toward changing his political views and he certainly has—has stuck with them now for an enormously long time. It's possible that he would have changed without Susie but I sort of doubt, she was the catalyst.

TITLE

Warren as a child

10:26:24:16

CAROL LOOMIS:

I didn't know Warren when all of this was occurring but I think he was a strange kid. In some ways he was beyond his years. When he was young, he could talk to adults and they loved him as a matter of fact. Here was some smart kid, he was funny. They really loved how he was but I think he was a little bizarre in some ways. When he went to interview for Harvard business school, I think he was 15, wait—he has said he looked like he was 12. And he didn't get accepted which of course the Harvard business school has never been able to live down. And I think he takes a kind of a joy in that he couldn't get into Harvard business school. But I think she made him into a much more normal kind of person. She changed his political sensibilities, she was always there for him whenever he needed to turn to her and he was extremely dependent on Susie and what she was like.

TITLE

Emotion and business

10:29:24:04

CAROL LOOMIS:

I think that part of Warren's success comes from the fact that he does not have the same emotional currents affecting his business decisions that other people do. He tries to extract emotions from his business decisions. This is part of his rationality. That's a key part of being rational. But I—I al—but I think that he may overstate that too. He hates to fire people. Emotions som—certainly come into that. He's very caring about his employees so that I—I don't think that he just erases emotion from what he does but in his investment decisions, it is essential to the decisions that he's making. If he wished not to be emotional and which I think he does, I don't think he succeeds completely because he does have these things that infringe on his decisions.

TITLE

Warren's opinion of Wall Street investment bankers

10:34:17:20

CAROL LOOMIS:

Warren's opinions of Wall Street investment bankers would not endear him to their mothers. He feels that they're for the most part not out for their clients: they're out for their own business interests. I don't think he thinks that their honesty is always great so he is not a general admirer of Wall Street bankers. I think that certain investment bankers knew how smart Warren was. I remember Bruce Rosenstein, a very famous Wall Streeter saying you have to be very careful when negotiating with Warren because he's so smart that he'll pick you if you're not careful and so—and also he was mor—Warren was more inflexible than a—than an investment banker would want him to be. He—he'd name a price on a business and he thought that was the price that the business was worth and he wouldn't budge from that and—and Wall Street bankers really like people who negotiate. Warren is not a negotiator. I'm just thinking, he and Don Trump would not be exactly on the same wavelength about negotiating.

TITLE

Warren's investment into Salomon Brothers

10:36:22:01

CAROL LOOMIS:

When Warren made the investment in Salomon, I was one of the people, along with many, many others who were quite amazed, because he—he had taken a very critical tone in talking about investment bankers and their greed and here he was, investing in one, Salomon brothers that was known to be a member of the club. It just didn't quite add up. But there was a man then running Salomon, John Goodfriend that Warren had had business dealings with and had found John always to be honest and forthcoming and beneficial to the client and that was very important for Warren. If somebody has treated him honestly and expertly, he is likely to come back and respond.

TITLE

Issues at Salomon Brothers

10:37:45:15

CAROL LOOMIS:

When Salomon's problems erupted, my memory is that Warren first learned about it when he was in Las Vegas except he really didn't quite understand what the problems were at the time. And he had gone to Las Vegas with a family named Blumpkin who ran the Nebraska Furniture Mart. And it was a once a year expedition that they all looked forward to. And he got a call and went out to a pay telephone, he got a call about Salomon, went to a pay telephone to understand that there was something very important that John Goodfriend wanted to talk to him about and he had no idea what it was and did not learn that evening really what it was.

10:39:20:15

The problem at Salomon that Warren eventually h—learned about was that a – an important employee of Salomon's had basically lied to the Federal Reserve about Salomon's accumulation of a certain issue of government bonds and the lying to the Fed was just not something

that was done. It was a—it was an egregious crime and once it was discovered by management at Salomon, it had not been—it had been covered up. They never thought of it that way but it—it—it was covered up and the Fed did not learn what had happened.

10:40:11:21

There was a letter from the Federal Reserve to the management of Salomon saying that the crime had been a grievous crime and it was likely that the Fed would have to take action about this and the Fed assumed that the letter had gone to the board of directors. Warren was not a part of management at this time the company was run by John Goodfriend and—but the board never saw this letter so there were conversations that Warren engaged in after that where mysterious references were made to a letter that he had no idea what they were talking about. It was like two people were talking right by each other. And it was only much later that he learned about the letter.

TITLE

Warren's reaction to the Salomon Brothers scandal

10:41:21:15

CAROL LOOMIS:

When - when Salomon's problems erupted, Warren was in Omaha doing his usual thing of running Berkshire Hathaway, making one big decision a year as he has sometimes said. And he was on the phone with John Goodfriend and Tom Strauss, the number two guy at Salomon and it became clear to Warren during that conversation as I remember it on a Friday morning that he—that somebody needed to step in and run Salomon, there was a need and he was the logical guy to do it. To this day, I think that Warren thinks he suggested that he come to New York to start running Salomon. I think John Goodfriend, who just recently died might say that it was his idea for Warren to do this but at any rate, the upshot was that Warren, if this happened on a Friday, by Saturday he was in New York and by Sunday he was appearing before the press as the new acting CEO of Salomon.

TITLE

Salomon Brothers' threat

10:42:47:17

CAROL LOOMIS:

There was an important moment in this whole Salomon affair in which Warren called Nick Brady who was the secretary of the Treasury. Nick Brady was at the horse races in Saratoga and I guess he was pulled out of the stands to take this call and Warren told him if the fed went through with its threat, that it was going to change Salomon's status and not allow it to—not allow it to sell and trade in government bonds, that it would destroy Salomon. And Warren thought, and he still thinks to this day, he does think that if S—if Salomon went down, it would take other important parts of Wall Street with it and he said all of this to Nick Brady and Nick kept saying, “now Warren you're overstating this problem, it's going to be alright.” They were old friends. And Warren kept saying to him, “No you don't understand. The matter is as serious as I'm saying it is to you and you need to take some action.” And when Nick Brady had gotten off the phone, he still hadn't been convinced but events then began to change and in time he did take some action.

10:44:31:18

The threat from Treasury that made Warren think that it was so dire that he could—that Salomon could not take it was that Salomon would no longer be able to be a government trader. The Fed had that ability to say who could trade government bonds and the Fed was in effect saying you are—you are terribly—you're an evil force and we don't want you trading our bonds.

TITLE

August 18th, 1991

10:45:11:03

CAROL LOOMIS:

Warren said that it was the most important day in his life. I've always—I've always thought about that, just because I think the most important day of his life was when he married Susie. I always wondered what Susie thought about that. Warren had always said that you can go through life building your reputation and in five minutes it can be destroyed and he believed that at that particular point that his reputation was on the line. He had not—he had not

come in to take over Salomon brothers to save it from bankruptcy. He had come in to keep it on its feet, get it restored as a—as a trader of government bonds and the thought that it was going to end up as bankruptcy was just unimaginable to him. And I don't—and he—he said—he told Nick Brady that he not going to stay around to run it if it became bankrupt and Nick Brady did not believe him but I believe it would have happened. He would have said, "I was not—I did not come to rescue Salomon with the thoughts that it was going to become bankrupt and I will—I'm not gonna stay around, you can find somebody else for that."

TITLE

The impact Salomon had on Warren's persona

10:47:06:04

CAROL LOOMIS:

Well in the end, the Fed did not—in the end the fed did not come forth with the most terrible thing it could do. It relented to some point—at some point—to some—it relented to some degree and Salomon proceeded to—although its stock was wrecked at that point, proceeded to behave pretty much as it had been but the whole incident had been so extreme and carried out in the public that the government called hearings and Warren had to go down and testify. Certainly for the first time that he'd ever had to do anything like that. He'd hardly been involved in anything that hadn't gone well and here he was, the man on the spot being called to testify at government hearings and to this day, he uses that episode, the televised episode as he began, it goes in every Berkshire movie because he wants the people who work for him, the managers of his business to hear that every year. Extraneous. I always argue that it's time to take it out. I don't get any place.

TITLE

Warren's message to Congress regarding Salomon

10:48:54:14

CAROL LOOMIS:

He has said that if it's a mistake—if—if an employ—if a Salomon employee makes a mistake, he will understand. If he—if he is—if he does something that could land up on the front page of the *New York Times*, he will be unforgiving, he will be ruthless. And—it was a big word. I argued at the time it was too big a word. I was having conversations with Warren during this period. First of all, he was—he was in New York and I saw him maybe once or twice. There was a shareholder meeting while all of this was going on and during his famous press conference on Sunday right after he had become acting CEO of Salomon, I was at that press conference so I was very tuned in to what was going on.

TITLE

Having faith in Warren

10:50:09:13

CAROL LOOMIS:

I was nervous for him. On the other hand, I think he is so capable of handling almost any situation I thought—I thought he would—I thought he would do it. This one was putting strains on him that he had never had before but when a question came up at the press conference about how he was going to handle the fact that he had this big company in Omaha and he was gonna be in New York handling Sal—Salomon, he said, "Well my mother has sewn my name on my underwear so it's going to be ok."

TITLE

Warren didn't take any pay from Salomon

10:51:11:03

CAROL LOOMIS:

Warren did—decided from th—the—or said from the very beginning that if he took over at—at Salomon, first of all he hoped it would be temporary and he would be taking no money from Salomon. He was a dollar a year man I guess in the sense that that word is often used. He—he never—he never took any money for it. And people said, well of course he's doing this because of his large stake in Salomon Brothers. And I never believed that was true. I—I believed—of course

he wouldn't have been in the position if he hadn't had that large stake because there wouldn't have been any—a dialogue between him and John Goodfriend but I never believed that. I—it was—it was a potential blot on his life, he did not want this to happen, he wanted to save the firm and I think the money that Berkshire had in it was a very secondary matter.

TITLE

One good business decision per year

10:53:36:10

CAROL LOOMIS:

Well when Warren took the job at Salomon, he—he had once said that he was—if he made one good decision at Berkshire a year, he was doing his job. Salomon required him to make one decision after another, every day. A hundred—maybe not a hundred a day but certainly ten big ones a day and it was a world he wasn't totally familiar with but he—he did it because he—he—he knew that somebody had to do it and he said, "I was the right person." I'm sorry I think I forgot part of your question. In this world where he had to make all these decisions, where he had to deal with all these people who were very, very greedy where he could not even make any headway against a compensation system that was pretty egregious and is still today being fought over. He knew that—that he—he was at the right place. Omaha all his life was the place he wanted to be and he knew that the work he was doing at Berkshire which he never considered work, it was part of his tap dancing to work routine, he knew that how lucky he'd been that he was not in this environment and that he was going to return to the environment that was perfect for him.

TITLE

If Salomon had gone down

10:55:48:10

CAROL LOOMIS:

We'll never know what would've happened if Salomon had gone down but Warren believed and still believes to this day that it was an

integral part of this Wall Street where promises are taken for granted and people trade every day on the theory that they will get paid. He felt that the infrastructure there was not set up for a severe shock like Salomon going down, and on that Sunday when all of this was being debated as what would happen, the key point was that the Japanese market was going to open that night and if it was – if the Salomon situation was still as severe as the Fed wanted it to be, Warren believed that trading in Japan would be really effected and then it would just roll around the world. And he believed there was a “too big to fail” scenario. The term was not used then like it later came to be in 2008 but he believed that Salomon was too big to fail and that it would fail if the Feds stuck to it’s dictum that it was to be removed from trading.

TITLE

Ben Graham and “value investing”

10:57:27:12

CAROL LOOMIS:

Unfortunately my total exposure to Ben Graham was hearing a speech of his one day but he believed that—he basically coined the term “value investing.” He believed in a careful scrutiny of a companies financial statements, decisions based on the probability that this was a success—a company that could survive under any circumstances and the belief that if you bought value, it would eventually prove out. And one of his dictums that Warren has said is, the two rules of investing according to Warren and I think he got this from Ben Graham. The first rule is never lose money and the second rule is never forget the first rule.

TITLE

Investments as cigar butts

10:59:01:07

CAROL LOOMIS:

When Warren was first into investments, and he learned this from Ben Graham, he was—his investments often were to buy a company you could figure was a discarded cigar butt, but it had one more smoke in

it and he wanted to buy at the right time to be able to pull out the one smoke, to be able to benefit from the one smoke and so the cigar—the discarded cigar butt theory was one that he used at the beginning of his investment life. Warren, if he bought a discarded cigar butt company would certainly make himself known to the management of that country, would state his opinions as to what might be good for it and would hang around looking around, looking for the last puff from the cigar butt.

11:01:12:00

The cigar butt theory only was important if you were dealing with small companies. You just couldn't expand that into, and multiply that into large acquisitions. And it was—Warren would have continued to be a small operator if he had stuck to the cigar butt theory and he—he is an opportunist. He is always looking for the right opportunities. He's willing to have anybody bring a strange—strange thought to him as to what he might do and to move on it and it just wasn't going to work to stick to discarded cigar butts if Berkshire was to be built into any kind of important company.

TITLE

Charlie Munger

11:02:09:06

CAROL LOOMIS:

What made the turn was that Warren got to know Charlie Munger, a California lawyer who had also grown up in Omaha but the two young men had not known each other because Charlie was eight years older than Warren and they just didn't happen to—but they both worked for Warren's grandfather's grocery store but at separate times so they didn't know each other. And Charlie became Warren's sort of alter ego and became a man that Warren depended on heavily, just to discuss things with. Charlie's opinion was important, and Charlie felt and managed to convince Warren, and this was a real turning point in Warren's business life that buying important companies, buying good companies at fair prices was the way to proceed and leave the dis—cigar butts in the gutter, if you'll pardon the expression.

11:03:31:13

Charlie's influence on Warren and pushing him in the direction of good businesses at fair prices was huge turning point for Warren and Berkshire. There's no telling what Berkshire would be to today if that turn of events hadn't occurred. We'd—we'd all be poorer, that's for sure and so tha—Warren has said that after he left the ci—discarded cigar butt era, he was still drawn to them occasionally but Charlie was keeping him—and Warren was learning increasingly that buying good companies at fair prices was the way to go.

TITLE

Warren's initial plan with Berkshire Hathaway

11:04:33:00

CAROL LOOMIS:

10:58:25:00

Warren's initial—initial plan when he made the investment to buy Berkshire Hathaway was to end up selling his stock back to the company at a profit and it—it—this could have happened, the company was at that time selling off a mil here and there, getting a little cash, paying a big dividend and Warren was expecting to end up benefitting from this. Then the CEO of Berkshire Hathaway engaged in a little bit of chicanery, promising him one price for a tender offer that they were making, that was their way of buying in stock and the—the CEO of Berkshire promised him one price and then went back on it. And that was just something Warren couldn't live with and so he changed his strategy. Seabury Stanton's change made Warren very, very angry. I imagine he was just about livid with anger.

11:06:31:07

Warren took great offense at what Seabury Stanton did. Warren did not like two-timing of any kind. He probably did not—in this case, probably did not put quite enough study into what he was actually buying but he made an effort—he changed his strategy and became to think that he would take over control of Berkshire Hathaway because the CEO Seabury Stanton had cheated him, or gone back on his promise and so he ended up buying this textile company which was not in great shape and which Warren has said was the biggest mistake he ever made, was buying this textile company, or getting control of it, not buying it.

TITLE

Early days of Berkshire Hathaway

11:08:20:22

CAROL LOOMIS:

As Warren got into Berkshire Hathaway, I think he realized it's frailties. He worked hard to—to make the company do the right—go down the right road but to the extent that it was pulling off—throwing off cash, he wasn't going to put it back into textiles and in the first of Berkshire's ability to take cash and use it in a—in a—an important and constructive way in other businesses, he took cash from Berkshire Hathaway and moved it into insurance and insurance turned out to be just ideal for Warren. It itself accumulated cash or threw off cash and so that was the beginning of Warren's ability to build a large company from this company he really claims was a mistake to buy in the first place. And he stuck with the company, he wanted it to succeed. He really did. He didn't want those people—those—those employees who were going to be thrown out of work, he did not want that to happen so he stuck with it, longer than he probably should've. But finally he had to concede that it--Berkshire—the mills must be shut down—the mill must be shut down. And the textile business disappeared.

TITLE

Liquidating companies

11:13:27:03

CAROL LOOMIS:

When Warren started investing, he—he sometimes and I would say pretty often had the intention of liquidating the company. He thought the cost of gaining control of the company was not as much as the assets of the company and that there was a profit to be made there and his intention was to move forward with liquidating companies. This wouldn't always have been the case but—but oft—but often. But I think his first experiences in that business so to speak convinced him that it was not exactly where he wanted to be. There was a small company called Dempster in Nebraska, it was a small town whose—whose population depended heavily on this company existing

and closing it down—liquidating it was a lot of pain for—and he was not a man who enjoyed causing pain and Susie was probably at home saying, “I’m so sorry for all of those people there!”

TITLE

The impact of his father’s death

11:15:10:13

CAROL LOOMIS:

I know it was that his father’s death was a huge sadness for Warren: he had been so close to his father. They had—they worked together, he’d—he’d—he’d been a—as a young boy he had worked sometimes at his fathers brokerage office and he—he admired his father and his standards so greatly that to have this person leave his life as amazing—was so hard for him. He actually has not been happy to talk about it because it was a huge—a huge calamity for him to deal with but Warren has the ability to pick himself up from things and move forward, he’s amazing that way.

TITLE

Looking forward rather than back

11:16:19:10

CAROL LOOMIS:

Warren definitely has a tendency to look forward and to think optimistically. I don’t think he could have ever gotten where he’s gotten if he hadn’t been an optimist and he believes that there are pessimists around who don’t understand facts as well as he does. And he is—he is in the business of being a teacher trying to straighten out the landscape for these people.

TITLE

Closing down the partnership in 1969

11:16:56:07

CAROL LOOMIS:

Warren decided to close down his partnership in ’69 because the late 60’s were a period of enormous speculation and stock prices had

gotten to levels that Warren just could not understand in many cases that people were buying and he said, "I just don't understand this market and I'm better getting out of it." And so he just chose to shutdown the hedge fund, which it was and Berkshire mean while was there. He had taken control of that in 1965. People used to write how he had left the investment business and I used to laugh at that because he hadn't left the investment business, he just changed the party that through which he was doing it and so he—he just said, "There's idiocy out here in this stock market and I don't really want to have a part of it."

TITLE

Becoming Warren Buffett

11:19:00:21

CAROL LOOMIS:

Becoming Warren Buffett is a—that's a long period of years in which he was becoming Warren Buffett and he was not the statesman that he now is when he started out. Of course he was so young nobody would have accepted him as a statesman anyway. But he has developed over the years so much. He's broadened, and that is the best word for him: he—he is broadened in ways that have made him a different man. I think my expression was that Fortune, for which I worked, was lucky to have been standing alongside Warren Buffett, as he was becoming Warren Buffett. He—he changed. Not only that, he kept creating journalists, loved this—kept creating new stories and he was never dull. You—you knew that—that just when you thought you understood the kind of thing that Warren Buffett was going to do, he'd come up with something new and for a journalistic organization to be standing alongside him while he did that and to have some pretty good access because I had known him for so long was a wonderful thing.

TITLE

Warren and *The Washington Post*

11:20:41:10

CAROL LOOMIS:

Wa—Warren was—was quite an expert about newspapers. He bought the Buffalo evening news and he—he—he—he got interested in the post because he recognized it as a great, greatly undervalued company and he—he got to know Kay Graham, told her he had no evil intentions at all and he was gonna let—he wasn't gonna try to tell her what she's to do in her newspaper and it just—it was a great investment opportunity for him and if there was something else, I don't know what it was. Nixon's—the political strife *The Washington Post* entered into hurt its value and made—made most people run from the stock. And the stock went way, way down to levels that were almost unconscionable and Warren realized how—how very, very low it was and so he has always wanted to move into undervalued situations and this was one that was right up there on the rise and free to see.

TITLE

Warren and Kay Graham

11:22:39:23

CAROL LOOMIS:

Kay Graham was—Warren did think she was undervalued. She had been thrown into this job for which in some senses people would have said she had no background for. Very, very important journalistic job. She was not—she was not—she didn't have a lot of self-confidence and so she needed constantly to have her self-confidence build up. She was not familiar with financial figures. Finance was not a big part of her life and Warren was a teacher and he has said his whole ambition in life was to be a teacher. He—Kay Graham was one of his primary students. She said that he—that she was going to the Buffett school of business, which is kind of ludicrous considering that he couldn't get into Harvard business school. And he had a great opportunity to influence the way that *The Post* was going to go even though I don't mean that journalistically because he was hands off entirely in what *The Post* was running.

11:24:09:20

Kay Graham did introduce Warren to the world of Washington and it was a little bit rocky at times. I think he turned up for one of his first dinners with her without a tuxedo and they had to find a tuxedo on

very short notice in Washington, but he enjoyed it. I think at first he probably felt like he was in a totally unfamiliar environment and he was. But he could talk with the best of 'em and he enjoyed it and Kay—Kay had wonderful dinner parties so he got—he liked it.

11:25:11:18

I think that whole period after which he became involved with *The Washington Post* was important to his growth. He—he thought more broadly. His democratic inclinations—pol—political democratic inclinations were strengthening and he was able to—to test them out, talking to people like the editorial editor of *The Washington Post* Meg Greenfield. He—he was introduced to new people, entirely different group than he had dealt with before and still he wanted to go back to Omaha but he didn't mind getting into Washington politics a little bit.

TITLE

Women in a man's world

11:26:40:03

CAROL LOOMIS:

I—I think of 1970 as being sort of the key year in which the conditions for women changed in the business world. And Kay was getting involved in that time in the management of *The Post*. I was at Fortune, I never did think of myself on any kind of battlefield there. I just—I knew I'd been put into a job most women didn't do and I was enjoying that and I was trying to get better all the time. And—and Kay was a learner and Warren—one thing I will say about Warren, among many, is that I have never ever met a business leader who is as unprejudiced as Warren is about gender or nationality, ethnic—anything. Warren has only one prejudice and that is about intelligence and he doesn't care where that turns up. It—and so I think of him as being more supportive of women over the years than any business executive I know. Because many—many of business executives that I respect for other reasons are just a little bit insensitive on the women front and Warren has none of that. Warren has always been a supporter of women.

TITLE

The importance of insurance at Berkshire Hathaway

11:29:02:01

CAROL LOOMIS:

For Berkshire, insurance is in itself a profitable business, particularly when it's well run and Warren has had a real knack for getting good people to run his insurance companies but it has the additional advantage of creating something called float, and float is the money that hangs around Berkshire while a claim is waiting to be paid. Eventually someone is going to get that claim payment but in the meantime, the money is there that in effect has been reserved for payment and can be used by Berkshire to invest in other things and Warren turned out to have an extraordinary ability to both run the insurance companies, accumulate float and use the money thrown off both by the running and the float to buy companies that fed the growth of Berkshire.

TITLE

See's Candy

11:30:30:03

CAROL LOOMIS:

I think See's, for Warren, represented his departure from the cigar butt days to the time of buying good companies at fair prices. See's is a company that has thrown off money, I mean it does—it doesn't need a lot of capital investments. Historically, Warren has tried to stay—did try for many, many years to stay away from companies that required large amounts of capital investments. Eventually, to build Berkshire, he had to move into companies like the railroad and the utility that do require large capital expenditures. If—Berkshires growth would've—have stopped if—if he hadn't done that but See's was a company that threw off all this money that could be used for other things and meanwhile was a wonderful company. People love it, I have some in the kitchen and so it was a great—a great acquisition for Warren and one that I still think he feels very proud of today.

TITLE

Warren's comfort zone

11:32:14:03

CAROL LOOMIS:

I think that Warren could think of some of his investments as a comfort zone. He understands them, like Coca-Cola. He doesn't think they're gonna go away because he himself could probably not exist if he didn't have frequent infusions of Coca-Cola. I think he—he does feel that knowing a business and knowing the kind that's not gonna go away, can't be changed by technology: those are important pegs for him to use when he's considering investment, absolutely.

TITLE

Balancing personal and professional life

11:33:19:22

CAROL LOOMIS:

Warren's divisions of his life—his business life has always been the one that he focused on and—he—he was not—I think he'd probably say this himself, he was not the most dedicated father who ever existed although his kids all grew up to be wonderful people, and wonderful admirers, very devoted to their father but Warren's personal life did not include a lot of time spent away from the reading and the thinking about Berkshire that made it grow, he just—he just wasn't built that way.

TITLE

On Susie leaving to San Francisco

11:34:59:19

CAROL LOOMIS:

Susie's leaving for California was—was kind of unprecedented as a way for a married couple to live because they continued to travel together after she was in California. I think it was a great blow for Warren because he had depended on her so much. He had sort of—she had—she had filled in every emotional facet of his life and it—it was extraordinarily hard for him. On the other hand, he still had the business and he could turn to that and draw the strength that it

had always given him. It was—it—most of his friends didn't quite understand what was going on but it was something that they managed to work out for a lot of years. In Omaha she was always going to be Mrs. Buffett. Mrs. Warren Buffett. She—she had staked out her own area of philanthropy but she needed—she needed time—she needed a different venue for her own interests and I never thought of it really but I guess it could be because women were kind of reaching out in every direction. I don't know.

TITLE

Avoiding the tech bubble of the 1990's

11:39:13:17

CAROL LOOMIS:

Warren was able to avoid the tech bubble because he—he recognized something about the tech—tech companies many people did not recognize and still don't. That technology changes and that a company that is highly prosperous in 1985 or 1990 can be kind of thrown out: lets talk about AOL, think about AOL, where it stood in the late 80's and the fact that it was soon to assume a much less important role, still around today but Warren does not like to buy businesses that change. He likes businesses like—well now Coca-Cola you can argue has changed because everyone's worried about their weight but he likes businesses that are going to continue to—to be there, to operate pretty much in the same way that they always have and to turn out the good profits that they always have so technology was too much change for him. He never knew where they were going to be ten years from there. They might be great in year one but year ten they could've been even almost put out of business by change and technology, it wasn't for him.

TITLE

Warren's lack of involvement in technology

11:41:00:14

CAROL LOOMIS:

In the late 80's, he was pretty much said to be a has-been. People said it was all over for Warren Buffett just because he was not involved in

technology. The technology bubble was forming, it was going to explode in the early 90's and they just said though, Warren Buffett doesn't know what he's doing. He's not with it, he's not cool. He is somebody who just has had his day and it's gone. Warren doesn't enjoy criticism, published criticism any more than anyone else I think, but I think that down deep he knew that his methods were the right thing for him. He was not to be swerved in a different direction and I don't see any sign that he changed his way of operating so I—I don't think it got to him very much. It had to be a long period in his life because it went on for a number of years. I remember that Charlie and he talked about, that they both wanted to be around when the bubble burst because they just couldn't quite imagine how things had gotten as much out of kilter as they had.

TITLE

Warren and criticisms from the media

11:42:53:14

CAROL LOOMIS:

He hates to be misquoted and—and Berkshire was a complicated company. When Berkshire Hathaway—when somebody at Berkshire Hathaway buys a stock, they always—the headline writers intuitively turn to headlines that say, Buffett buys—Buffett buys apple, as we're hearing these days. Were—there are now three buyers. There have always been at least two, or for many decades there have been at least two. But now they're at three buyers so it could easily be, and in the Apple investment for example was not Warren's investment at all, it was one of the two guys who work for him, Ted Wechsler and Todd Combs and so it's easy for the press to get things wrong about Berkshire because it's a complicated company. I do think that he would like to always be quoted accurately in the press and have Berkshire described in the way that it actually is happening but he—he manages to—and I think that one of the reasons he's gone on television more is because he wanted to be able to explain himself. He didn't want to have the press standing—interpreting what he was doing. He wanted to be the guy who was the explainer. And his speeches, which can be very complicated, are always done extemporaneously. And so they do not lend themselves to being put

down in perfect order, I—I know this personally because I have had to take some of them and edit them into—into articles. But that’s the way with extemporaneous speeches but he has been on stage—public stage a lot and has grown to enjoy it I would say. And now Charlie is growing to enjoy it also.

TITLE

On Susie’s illness

11:46:22:01

CAROL LOOMIS:

Warren called me, it was—I—I think I was not aware at the time she came to that *Fortune* conference of what she had just learned. She left very quickly after the conference. She told me that a friend of hers was ill. That was during the AIDS period and she had some friends who were ill with AIDS but now even as we talk about it, it was because she herself was the one—she knew her—she herself was the one who was ill and was going off to deal with it. And Warren—and—and I learned—I learned that Susie was ill when Warren had called to tell me that she had throat cancer. He was taking it pretty hard.

TITLE

Warren taking care of Susie

11:47:52:12

CAROL LOOMIS:

He went to San Francisco every weekend for I don’t know, how long? But it was a long period and it was not the normal kind of thing for him to do but the circumstances of Susie being that ill, the brightening that I—that I think it would have brought to her weekends when he was out there, I think he knew it was important. It was important for him too.

TITLE

Hearing the news of Susie’s death

11:48:35:11

CAROL LOOMIS:

I was playing golf at—I heard the news about Susie dying at Winged Foot Golf Club where I was playing golf. I walked off after a match, it was the women’s tournament, a competition it has once a year and I walked off after playing a match and my daughter was standing there. And I looked at her, why—why was she there and she said to me, “Susie Buffett has died.” And, I said, “Oh my gosh, he’ll never be able to stand this.” That’s what I said, I remember it perfectly.

TITLE

Warren coping with Susie’s death

11:49:24:15

CAROL LOOMIS:

He – he got up and—and went back to work and recovered. Not recovered because he was still distraught by it but he went back to work in a way that I could not have imagined he would do. And I’ve heard his daughter Susie say, “I thought he might disappear into his bedroom and never come out.” And the fact is, he picked himself up and resumed his life. After Susie’s death, Warren definitely did throw himself back into his work in a way that let him keep going in a forward sort of way. I don’t recall that I talked to him any more, it was always—when I did talk to him was with a feeling of enormous sympathy because I—I knew what a void it would have been in his life.

TITLE

Warren’s place among the greatest American businessmen

11:51:19:02

CAROL LOOMIS:

Well I think that Warren’s place in the pantheon of American businessmen is totally established. I laugh a little bit at lists of leaders in business that need to change every year journalistically because you can’t run the same list every year and then leave Warren Buffett off because I think that he is without doubt the leading businessman of the country. I think he is quite possibly, quite probably going to be the only one that ended up in the history books although I recall saying this to a friend recently and the friend said, “When you’re talking about 100 years from now, which is what you’re saying, there aren’t gonna be any books.” And I said, ah, I think he’s going to end up

in the history books 100 years from now. I'm not sure though what role he's going to be assigned. Will he be famous for what he did as an investor, as a businessman, because there is a difference, or as a philanthropist? And I'm—I'm just not sure which of those roles, you know. Andrew Carnegie, Carnegie, more accurately was a businessman before he was a philanthropist but we remember him today as a philanthropist and I'm just not sure the w—how it's gonna turn out.

TITLE

Shareholders at Berkshire Hathaway

11:53:27:10

CAROL LOOMIS:

The shareholders, well they range from people with not much money to hedge fund guys who are the richest and often considered the most – the greediest of all kinds of businessmen. I would say that an awful lot of the people I've met out there have been people you like to spend your time around and I've seen letters that have come in to Warren after the meeting from people talking about how much they—they enjoyed the people they met, how much they liked the whole atmosphere. How friendly they it is, of course that's a mid-western trait anyway and I think it's a congenial crowd that is drawn back just because it's not only Warren and Charlie up there but the whole atmosphere of all these people who have—had very good fortune in many cases because they bought the stock but who sort of see themselves as a part of something a little bit bigger than the stock.

11:55:00:16

There is definitely a sense of—of a Buffett community with a—Charlie Munger geography on the side and these—these people, they don't sell their stock. If there's statistics about this, they're probably—would—we'd probably find there are more long term holders of Berkshire than of any company. People consider it a religion. They don't—they don't want to—it's always been a mistake to sell Berkshire Hathaway and so they don't want to making the mistake now and so they do see themselves as being a part of a community and Warren does everything he can to encourage that feeling because he regards shareholders as owners of the business. And he regards the smallest of them as equal in size with the biggest.

TITLE

Warren's tactfulness

11:56:21:08

CAROL LOOMIS:

Many questions that are asked, the question are either asked for a response from both Warren and Charlie or Warren turns to Charlie or Charlie intercedes to answer and Warren's answers are always given with great tact. He's very careful how he answers questions. Charlie has no tact. I once wrote of him, that when they handed out humility that he didn't get his fair share but he says what's on his mind and he doesn't care whether he insults the questioner or not. So you'll get this sort of Ying and Yang where Warren is being very tactful and Charlie is almost saying to Warren, "you know you don't really mean that. The really truth is this." It's a very interesting conversation.

TITLE

The financial crisis of 2008

11:58:01:19

CAROL LOOMIS:

What happened in 2008 is as close as—as ever happened leaving aside the depression of the 30's, to the countries financial structure sort of falling apart. This country depends on prompt payments. There's a system out there where everyone is expected to pay what they owe and Wall Street is probably the epitome of this. And we were very close in 2008, in September 2008 specifically to that whole structure breaking down and heroic efforts by a lot of people managed to prevent this from happening but I don't think that most people realize how really terrible it was.

11:59:13:23

I was talking to him on the phone. He was getting calls from various people seeking help. He—he knew it was very, very bad. I don't recall that he ever said, we've got two days otherwise we're gonna have a disaster but he knew it was bad and he was—he was talking to everyone and he was getting calls from people like Tim Geithner in Washington, Secretary of the Treasury was calling him about very,

very important things and the dialogue between the two of them was going to determine a lot of what happened in the country. I don't think he does anything without some sort of purpose, or the belief that it will be to the - to the good. And he knew that his was a voice - that would be important in the dialogue. And then I also believe that he thought that the right actions would be taken in Washington because to contemplate that they wouldn't be taken was to lead to disaster, and so he himself was optimistic that the right strategies were going to formed and carried out.

TITLE

Derivatives

12:01:51:12

CAROL LOOMIS:

12:07:37:00

Well, derivatives are securities whose value is derived from some other benchmark, like the value of a stock, so a stock option for example is a derivative. It is a means by which one financial party transfers risk to another financial party. But an important thing about it is the risk doesn't go away, it's changed hands. Guy A has gotten it out of his hands and transferred it to guy B but the risk is still there and still something that kind of hangs over the economy and as derivatives have exploded, they are—they are a huge force in the financial world and Warren does not think well of them. He has called them—he has called them weapons of mass destruction, right.

TITLE

The giving pledge

12:03:27:14

CAROL LOOMIS:

Well I learned it—I learned that Warren was going to give away—well it was always apparent after Susie's death that Warren suddenly had a problem on his hand that he hadn't—hadn't anticipated. He was going to have to be the person to determine where his fortune—how it would be allocated. He had expected this but there wasn't anybody else to do it so he was going to have to deal with it. I heard him talk

about it a little in conversations we had after Susie died but I then think I just got a call from him, said, “Well I’ve made the decision. I’m going to give most of my money to the Gates Foundation.” And I said we’d like to write about that. So we—*Fortune* did do the story that broke that news.

TITLE

Warren’s children’s foundations

12:06:09:10

CAROL LOOMIS:

I definitely think that each—each one of those four foundations is carrying out purposes, missions that Susie would’ve approved of and—absolutely, I know quite a lot about the three—the three—the foundations of three children. They have all risen—the children have risen to the occasion. The work they’re doing is wonderful and I know very personally the work of the Susan T. Buffett Foundation and I can say that it—it’s mission is being carried out well. Susie would have loved it all.

TITLE

The foundations and Warren’s business

12:07:33:22

CAROL LOOMIS:

The Susan Thompson Buffett Foundation does not go around seeking out the press. It probably—it probably is not known to a lot of people but I would say it’s known to quite a few too and heaven knows the information is publicly available, no—no problem about finding out what any foundation is doing.

TITLE

Her relationship with Warren

12:08:22:01

CAROL LOOMIS:

I feel very privileged to have known—to have known Warren and to—to have played an important—a role anyway, maybe important in working with him on his annual letter because he regards that as a

part of his legacy and it—it's not only been a privilege to work with him on that, and to maybe help just a little bit, make it better but not much because the content of it is entirely his. I feel that even if he didn't, everybody needs an editor but even if he hadn't had an editor, this letter would be famous. And also just to have had the chance to play bridge and to be at social occasions 'cause every—I was in a group that every two years met which I always called the Buffett group although it had a very—it had a very wide range of names but it was the—essentially the only way you could describe this group was friends of Warren Buffett. And to—to have been a part of a life as big as Warrens is a wonder for anybody who ever managed to enjoy that. I've been very lucky in that.

TITLE

Berkshire Hathaway when Warren is gone

12:10:21:12

CAROL LOOMIS:

Well I don't see how anybody could perform with the excellence that Warren has and Charlie has had in a slightly less important position. They have been such great leader of that company that I don't know how anybody can follow that. It's a tough act to follow if ever there was one. However, Berkshire is a bunch of assets—is a collection of assets that is really wonderful. And I know that Charlie—I've heard Charlie say again and again, "I've told my kids not to sell, because this company is going to thrive on and on." And I—I think that is probably right, the assets are so wonderful.

TITLE

Favorite Buffett rule

12:12:13:19

CAROL LOOMIS:

Well, my very favorite Buffett rule is don't—in investing, rule number one is don't lose—don't lose money and rule number two is don't forget the first rule, so I—I love that. God, other Buffett rules, lets see...other Buffett rules.

TITLE

Warren's tough side

12:13:25:01

CAROL LOOMIS:

No, I don't think I've experienced his tough side but I do know that he has that reputation as being tough with some of his managers and I've heard about that and I know of one—I know almost complained or certainly commented on how tough and maybe even harsh, strict he was but I have not seen it personally.

TITLE

Warren's success with Berkshire Hathaway

12:16:18:19

CAROL LOOMIS:

Well I'm not certain that there's ever been more brainpower employed in a more creative way than Warren has expended on Berkshire. He has never allowed himself to be trapped in any kind of formulaic way. He has been opportunistic and there've been lots of opportunities that have come along and he has created some and some he seized. And it was—and he all through this, he has had a devotion of one idea. He wants to make Berkshire better and it is something for 50 years now, that's been his every thought. When he gets up in the morning, what can I do? What—if there is a business happening, what can I—what can we—how does this affect us? What can we glean from this? And if you're spending 50 years with pretty much 100% of your very high intelligence and energy focused on one ambition, it's probably not surprising the company has grown into the fourth largest in the country.

12:18:15:14

The companies that form Berkshire are a collection of good businesses, as identified by a man who undoubtedly has one of the great minds for business that ever existed. The companies in the Standard and Poor's 500 are just everybody whose in the Standard and Poor's 500 and some of these are not good businesses and some of these are companies that Warren would not even have gotten close to considering he belonged to—cons—cons—would not have come

close to realizing should be—to thinking should be in a—in this group of carefully chosen companies that Berkshire have become.

TITLE

Investors in Berkshire Hathaway

12:19:38:10

CAROL LOOMIS:

I think investors who own Berkshire Hathaway feel good about themselves because they—they bought a company that has grown, has grown in a way that has distinguished it in the business enterprise—in the business environment and there—there—they cant think of anything bad about being a Berkshire shareholder. It's—they see themselves as a part of a community. They see Warren and Charlie as the—the leaders. They see a great reputation. They know that to say I've been a Berkshire shareholder for a number of years is a credit to themselves and I think they're just people who—who relish being in this community.