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(It's the math)

TIME

The Optimist

Why **Warren Buffett**
is bullish on America

BY RANA FOROOGAR



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Warren Buffett believes in making money. He believes in fairness. He believes in the ability of government to make people's lives better. But most of all, he believes in luck.

"I've had all this good fortune," Buffett says. "It starts with being born in this country, though. It starts with being born male in 1930."

Genes, luck and birthplace may have helped make Buffett the world's third richest man. But in the past year, his good fortune has also turned him into one of America's most unexpected radicals. He's an ardent capitalist who is demanding higher taxes on the rich and more government spending on the rest to solve the U.S.'s economic problems. Although he is giving away 99% of his \$45 billion fortune, he operates less out of a sense of noblesse oblige than noblesse outrage. The country that made him rich is lousy with bailout billionaires, a culture of selfishness and a loss of opportunities. "We can rise to any challenge but not if people feel we're in a plutocracy," he says. "We have to get serious about shared sacrifice."

Shared sacrifice, to Buffett, means not just higher taxes for the rich—who often pay extremely low rates on money made by moving money around—but also curbs on short-termism. He'd like to see speculative-trading gains taxed at much higher rates. He believes CEOs of publicly bailed-out institutions should be on the hook for everything they own if their institutions go bust. He's only half-joking when he says he'd like to see private schools banned so that rich families would be forced to invest in the public K-12 system. (No Buffett in Omaha has ever gone to a private school, he notes proudly.) And he's for a complete overhaul of health care, which he calls "a tapeworm in America," one that cuts corporate competitiveness far more than taxes do.

It's the opposite of the Darwinian capitalism embraced by many prominent conservatives who believe the market is the only means to distribute the economy's as-

sets. "The market system rewards me outlandishly for what I do," Buffett says, "but that doesn't mean I'm any more deserving of a good life than a teacher or a doctor or someone who fights in Afghanistan."

He doesn't want to stop bond traders from making their billions: "Capitalism has unleashed more human potential than any other system in history." But, he says, "we need a tax system that essentially takes very good care of the people who just really aren't as well adapted to the market system but are nevertheless doing useful things in society." Bond traders and corporate raiders of the world, take note: your higher taxes should subsidize bridge builders and child-care workers.

In Washington, where economic theory is now a partisan grudge match, the prospect of higher taxes and income redistribution enrages Republicans and their business and banking allies. Republican Mitch McConnell said last September that if Buffett felt guilty, he should just "send in a check." Republicans subsequently proposed a rule that would make it easier for millionaires—and McConnell is one—to voluntarily pay more taxes.

Buffett paid a tax rate of only 11% on adjusted gross income of \$62,855,038 in 2010. (After deductions, most of which were for charitable contributions, he paid a still low 17% rate on his \$39,814,784 of taxable income; his office staff, meanwhile, paid percentages somewhere in the 30s.) Asked if he's ever considered writing a check for what he thought his taxes should have been, he says, "I have thought about that. But what I've thought more about, because Mitch McConnell put it out there, is offering to match the total amount of voluntary contributions made by all Republican members of Congress. And I will. I'll go 1 for 1 with any Republican. And I'll go 3 for 1 with McCon-

nell." He chuckles. "And I'm not worried."

At 81, Buffett says he's in a unique position to speak out. "If you are a CEO or you have to deal with a conservative board or you have a boss that might get upset by what you say, you can't do what I do. But I don't have a boss. It's hard to hurt me. If you don't speak up now, when are you going to? As my partner Charlie told me, it's like saving up sex for your old age!"

AUSTERITY MEASURES

THE REASON PEOPLE LISTEN TO BUFFETT, AT a time when being the 0.001% may not seem like the best public relations asset, is that in matters of finance he's very often right. But it's also that he's not like other billionaires.

Buffett lives not on an isolated island of wealth but in Omaha, in a shingle-roofed five-bedroom house on an unpretentious street that looks as if it might belong to a successful dentist. He bought it for \$31,500 in 1958. The corporation he runs, Berkshire Hathaway, owns 76 businesses—from a candy company to an electric utility—that throw off \$1 billion a month in free cash, and he holds major stakes in many of the country's biggest blue-chip firms, including Coca-Cola, American Express, IBM and Procter & Gamble. Yet aside from his indulgence in private air travel (he named his first jet the *Indefensible*), he estimates his personal yearly expenses to be no more than \$150,000. The company canteen in his small office suite, where he has a habit of walking around turning off lights in empty rooms, features a beat-up wooden table, a faux-leather sectional couch and Formica countertops.

His investment habits are as austere as the decor. In an age of leverage, he likes to steer clear of debt, preferring to keep from \$10 billion to \$20 billion of liquid

assets on hand at all times—"so that I can sleep better," he says. In a world of high-frequency traders with two-hour sell windows, Buffett's investment horizon is somewhere between 10 years and forever.

He grew up in Omaha and Washington as the son of a U.S. Congressman and was once president of the University of Pennsylvania's Young Republicans Club. Now he's President Obama's highest-profile supporter, a crusader for higher taxes on the millionaires' club. As he wrote in an op-ed article for the *New York Times* last summer, in which he noted that his personal tax rate was lower than that of his office staff, Washington needs to "stop coddling the superrich." Millionaires, says Buffett, should pay more taxes—a lot more. And companies certainly shouldn't pay any less.

His worry is that in this era of late-stage capitalism, the next generations won't be as lucky as he has been. The problem of inequality is likely, he says, to get worse. When people can't climb up the ladder, it's bad for the economy—and for his companies. He doesn't believe that the U.S. can innovate its way quickly back to a 1950s level of shared prosperity, nor does he think education will entirely close the gap. "The truth is that there will always be a bottom 10% in terms of capacity," he says. "Someone in America who has a 90-point IQ is qualified for many fewer jobs today than he was 100 years ago."

The solution, to him, is obvious. "People who make withdrawals from societies' resources—like me with my plane—should have to pay a lot for it." That means not only higher taxes for the rich and an extremely progressive European-style consumption tax but also fewer loopholes for corporations. Buffett says it's "baloney" that corporate America's tax rates are too high and says companies should not be allowed to repatriate profits tax-free. (It'll just encourage more investment to flow overseas.) In general, he says, "I find the argument that we need lower taxes to create more jobs mystifying, because we've had the lowest taxes in this decade and about the worst job creation ever."

THE INNER SCORECARD

IT'S EARLY DECEMBER IN OMAHA, AND snow is blowing horizontally across the windshield of Buffett's beige Cadillac DTS.

Dressed in a simple checked blue sport jacket, with his hearing aid pointed toward the passenger side of the car, he is driving me to lunch at the Happy Hollow Club. The car has no four-wheel drive and keeps skidding slightly, as Buffett, an enthusiastic speaker, takes his hands off the wheel regularly to gesticulate. I ask him why he doesn't have a driver, and he laughs. "Oh, gosh," he says. "I think if I did anything but drive myself around here, people would just think it was ridiculous!"

Everyone in town knows Buffett. At the country club, which resembles the one in the tiny Indiana farm town where I grew up, we are greeted by a gray-haired woman at a card table, who wishes us Merry Christmas and gives us a ticket for the brunch buffet. It's Sunday morning, and the place is full of families who look as if they've just come from church. Buffett, who has a soft elderly face but moves briskly, stacks a plate high with waffles, bacon and roast beef. Despite his Eisenhower-era diet, which includes almost two liters of Coke (preferably Cherry) a day, Buffett remains surprisingly trim. "I haven't had a taste of broccoli or asparagus in years!" he boasts. "I formed my thoughts on eating at the age of 5, and I haven't changed them."

Buffett's cultural tastes are equally old school. His icon of beauty is Sophia Loren; his favorite movie is *The Bridge on the River Kwai*. And his views on wealth redistribution—which are basically the opposite of the trickle-down theory—go back even further, echoing those of another Nebraskan, progressive Democrat Wil-



Power couple Buffett with his first wife Susan at a White House dinner for British Prime Minister Tony Blair in 1998

liam Jennings Bryan, who believed that "if you legislate to make the masses prosperous, their prosperity will find its way up and through every class that rests upon it."

Buffett's maternal grandfather, writes Alice Schroeder in her excellent biography of Buffett, *The Snowball*, was an ardent supporter of Bryan. Buffett's father Howard, on the other hand, was a conservative; a grocer's son who went on to become a stockbroker and four-term Republican Congressman, he had an aversion to any sort of class system, as well as to debt. (He lobbied to put the U.S. back on the gold standard.) He was also an isolationist who agreed with Calvin Coolidge that the "chief business of the American people is business" and once passed out flyers calling Franklin D. Roosevelt and his welfare state the "greatest threat to democracy" that the U.S. had ever known.

Despite the political differences that would emerge between them, Howard Buffett was and is a hero to his son, in large part because he operated, both as a person and as a politician, by what Warren refers to as an inner scorecard. As Schroeder writes, Howard Buffett was "the least backslapping Congressman ever to represent his state." He once turned down a raise because his constituents had voted him in at a lower salary. And he was shocked by the way his peers padded payrolls with friends, relatives, mistresses and fake expenses. It was truly *Mr. Smith Goes to Washington*.

Howard's propensity for acting on the basis of his conscience deeply influenced his son. His picture hangs on the wall in Buffett's office, along with a few other treasured possessions—a diploma for completing a Dale Carnegie course on "how to make friends and influence people," a 1973 Pulitzer Prize for a story on financial mismanagement at Boys Town given to the *Omaha Sun* (which Buffett then owned; last month he bought the *Omaha World-Herald*) and the Presidential Medal of Freedom, awarded to him by President Obama.

Buffett's other hero is his first wife Susan Thompson Buffett, who suffered from oral cancer and died in 2004. She too had the inner scorecard. "In everything that's been written about me, I've never felt that my wife was remotely done justice to," says Buffett. "She was just an incredibly wise and good person. She didn't do things with a metric attached to them. She was just as interested in one person as in

another. I couldn't say that about myself."

The two met in 1950 through Warren's sister Bertie, who attended Northwestern University with Susie. They married two years later, after Buffett had done a stint at Columbia Business School in New York City and gone to work as an investor on Wall Street and then for himself in Omaha. "She put me together," he says simply, and by all accounts, it's true. Susie was a born nurturer who took care of everything from dressing Warren to caring for their home and three children to arranging their social life and engaging with his family. Warren's mother Leila was a difficult woman prone to hysteria and vicious verbal attacks on her children. Susie headed her off and managed her needs so that Warren could be left to do what he was good at—making money.

But she was also responsible for deeper transformations, like Warren's conversion from Republican to Democrat. A civil rights supporter, Susie was involved in helping integrate Omaha in the 1960s, going so far as to front for blacks who wanted to buy houses in white neighborhoods. She took Warren to hear people like Martin Luther King Jr. speak. One speech in particular, given at Iowa's Grinnell College, became a turning point for Buffett. The topic was "Remaining Awake During a Revolution," and one line in particular chimed deeply with the young investor: "It may be true that the law can't change the heart," said King, "but it can restrain the heartless." It was something that Buffett began to think deeply about. Led by Susie, he became more involved in liberal politics, helping overturn anti-Semitic membership rules at the Omaha Club and doing Democratic fundraising at a national level.

It was the first time there had been space in Warren's life for anything outside of moneymaking, and it was Susie's doing. She was "a great giver," he says, "and I was a great taker." But the dichotomy eventually resulted in separation. After their children were grown, Susie, who hungered for a life of arts and culture that she could never have in Omaha and who wanted to pursue a career as a singer, decided to move out of their home and into an apartment in San Francisco. Warren reluctantly agreed. "We were like two parallel lines," she said in an interview with Charlie Rose two months before her death. "He was very intellectual, always reading and thinking big thoughts. I learned to have my own life."

But Susie worried about Warren, who was socially and practically inept. "I'm

BUFFETT'S WORLD. WHERE THE 1% MEETS THE 99%

Buffett's net worth is \$45 billion



BUY AND HOLD
Buffett once called his home, purchased for \$31,500 in 1958, Buffett's folly. Now he says it's his third best investment (after two wedding rings)

LIFE IN THE '60S
What Warren watches. It's *Complicated* could be the title of a movie about his personal life



CRUISE CONTROL
Buffett drives a 2006 Cadillac DTS, which he bought in support of beleaguered former GM CEO Rick Wagoner. He says it's "a good investment and a great-looking car"



SECOND CHANCES
Buffett with Astrid Menks, his second wife, a former maître d' and chef at Omaha's French Café

lucky if I can get him to comb his hair," she said. "He needs help." So she introduced him to Astrid Menks, a hostess at a local French restaurant and a friend of Susie's who became his mistress and eventually, after Susie's death, his wife. "I called Astrid. I said, Astrid, will you take Warren, make him some soup, go over there and look after him?" She did. And she stayed. It all happened consensually; the three even sent out Christmas cards together. It worked for all of them. "He appreciates it, and I appreciate it," said Susie. "She's a wonderful person."

Seven years on from Susie's death, Buffett is still coming to terms with it all. When I ask if he regretted being apart from her in her final years, he insists, "We didn't live that separately. We were as connected in the last years of her life, perhaps more connected, than we'd ever been. We had exactly the same view of the world. We just didn't want to go about it in the same way." He tells me about her interview with Rose, the only major one she ever granted, which was done with his encouragement, because he wanted the world to better understand the woman who was most important to him.

Then his cheerful face crumples, and he bursts into tears. "Her death is—it's just terrible. It's the only thing that's really up there," he says, his voice shaking. "I still can't talk about it." It takes several moments, as we sit together at the table overlooking the golf course at the Happy Hollow Club, for Buffett to recover. I put my hand on his arm. Eventually, we move on to an easier subject—his investments.

BUY AMERICA

AS ANYONE WHO READS THE FINANCIAL press knows, Buffett is a "value investor," which means that he seeks to buy companies and stocks that are selling for less than they are fundamentally worth. It's a skill he learned from his Columbia Business School professor Benjamin Graham, whose book *The Intelligent Investor* Buffett memorized early in his career. Value investing is a task that involves forensic examination of a company's balance sheet. It was one to which Buffett, a numbers geek who'd read every book in the Omaha public library by the age of 11 and who enjoys poring over *Moody's Manuals* in his spare time while eating potato chips, was well suited. Even now, he can call to mind prodigious amounts of data, from the value of the Dow in 1932 to the number of housing starts needed to equal 2006 rates.

Buffett believes that once the housing market recovers, the U.S. economy will be back on track. "Once we get back to a million housing starts per year"—the current tally is 685,000—"I think pundits will be surprised just how fast unemployment will come down in this country," he says. "There are 4 million people hitting age 22 every year in this country. Sure, you can double up on households for a while, but at some point, hormones kick in, and living with your in-laws loses its allure." Buffett notes that nearly every one of his major nonhousing businesses has had several strong quarters, and Berkshire companies are making a record number of investments, the vast majority of which are



STAR POWER
Sophia Loren in her heyday. "She was it," says Buffett, who wants to be reborn as her boyfriend

SLEEPING WELL
Buffett at the Nebraska Furniture Mart, a family-owned Omaha institution that he bought, posing with the Warren, his namesake bed



A SWEET DEAL
Berkshire Hathaway bought Dairy Queen in 1998. Buffett is frequently seen munching Dilly Bars



RESTAURANT
Like many things Buffett loves, this Omaha restaurant is family-owned. He prefers the veal and chicken parmigiana



LIQUID ASSETS
Buffett claims to consume almost 2 L of Coke a day (and owns 8.6% of the company)

His biggest indulgence



A JET SETTER
Buffett named his first jet the Indefensible. He says he spends over \$1 million a year in expenses related to private air travel

in the U.S. "I am 100% sure that people in this country will be doing more business 10 years from now than they are today."

It's easier to have a bullish view on America from Omaha, where unemployment is only 4%, family-owned businesses abound, and the economy in general was never as bifurcated as in many coastal or Rust Belt areas. But Buffett insists his optimism isn't emotional but quantitative: he focuses not on media headlines about America's inevitable decline or cheerleading about innovation and education but on the underlying data. Basic demographics favor the U.S. over nearly every other rich country in the world. And with corporate America so lean and inventories so low, the growth engine, in his view, has to kick in soon.

The numbers over the past few months have been good: jobless claims are ticking down, and consumer confidence is up. That's great news for Berkshire, since Buffett's portfolio is made up almost exclusively of large U.S. companies and American blue-chip multinationals. Even in the midst of the financial crisis and recession that followed, he remained a U.S. bull. Berkshire spent \$15.6 billion in the 25 days after Lehman Brothers' September 2008 collapse, buying up many assets on the cheap. Although Berkshire lost 9.6% of its net worth in 2008, Buffett did better than most everyone else and came across as a stabilizing influence during the financial crisis, speaking out on behalf of the government's management efforts. (He wrote a "Dear Uncle Sam" thank-you letter for the bailouts to the Obama Administration in the *New York Times*.) "You can see what hap-

pens when you have a Plan B, as you have had in Europe, where people have dithered and been unable to come together," he notes. "I think Paulson, Bernanke, Geithner, Sheila Bair, President Bush and Obama—they all behaved magnificently."

In 2009, when investors were pulling money out of the U.S. and pouring it into emerging markets, Buffett bought BNSF (Burlington Northern Santa Fe), the country's second largest railroad, for \$33 billion. It was "the most important purchase Berkshire ever made," says Buffett. It was a bet on higher energy prices (which would favor coal-hauling railways over trucking firms) as well as on a general pickup in consumer demand. "Over time, the movement of goods in the United States will increase, and BNSF should get its full share of the gain," Buffett wrote in the 2010 Berkshire Hathaway annual report. "Buffett has bought himself an immensely stable business throwing off predictable returns for about half of what it's worth," says Whitney Tilson, a fund manager and co-founder of the Value Investing Congress, who follows Buffett and Berkshire Hathaway closely. "Railroads are never going to be usurped by China. In fact, Burlington will only benefit from more trade."

That underscores two crucial facts about much of Buffett's portfolio. First, it's built to be idiotproof—many of the businesses are very conservative plays, such as utilities or top-shelf blue chips that throw off reliable, inflation-beating dividends. As owner of one of the largest reinsurance businesses in the world, Buffett has studied his actuarial tables; while he thinks it's a fair bet

that he'll be running the company in five years, he's preparing for the day when he's not. His successor will almost certainly be a trusted individual from within the company. Still, much of the goodwill capital of Berkshire lives in Buffett himself. Many of the best deals the company has done in recent years have come to him, rather than being sought out, because he confers such luster on any company he touches. Often he negotiates extremely preferential terms. For Buffett, buying a beleaguered institution like Bank of America is actually a relatively low-risk bet on the fact that U.S. financial institutions are emerging from the crisis stronger than their international peers, thanks to those generous government bailouts. It may take a while, even a decade, for banking to fully recover, but Buffett can afford to wait.

That reflects the second key point: many of Buffett's investments aren't bets on America so much as they are bets on the ability of American companies to continue exporting capitalism around the world. Companies like American Express, Coca-Cola, Kraft and Procter & Gamble are giant global franchises that get an increasing amount of their growth from emerging markets while still paying out a reliable dividend. They are in many ways safer than U.S. Treasury bills, which Buffett continues to hold as part of his cash-on-hand mantra, but begrudgingly. He would always, as he recently noted, rather buy "productive assets."

IBM, the global tech giant that Buffett bought into last year, is part of that strategy. The buy confused some industry observers, since Buffett has always shied away from tech stocks. But IBM is no longer primarily a tech company; it's a service company—one that makes a lot of its money doing the safe and steady work of helping governments and large businesses around the world automate themselves.

In a speech delivered at the famous Allen & Co. Sun Valley Conference in 1999, at the height of the Internet bubble, Buffett succinctly explained the virtues of being a Luddite: "[The automobile was] the most important invention, probably, of the first half of the 20th century. It had an enormous impact on people's lives. If you had seen at the time of the first cars how this country would develop in connection with autos, you would have said, 'This is the place I must be.' But of the 2,000 companies, as of a few years ago, only three car companies survived. So autos had an enormous impact on America but the opposite direction on investors."

SHARED SACRIFICE

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

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

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

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

WHAT WOULD WARREN DO?

DON'T LOWER CORPORATE TAXES
"The idea that American business is at a big disadvantage against the rest of the world because of high corporate taxes is baloney."

LEVY HIGHER TAXES ON THE RICH
Buffett would like to see people who earn their money from investing pay more than those who earn it through labor.

NO FOREIGN-PROFIT REPATRIATION
Allowing companies to repatriate profits from overseas tax-free creates moral hazard.

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

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

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

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

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

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

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

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

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

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

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

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