Buffett says government is doing the right things

By Josh Funk
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OMAHA, Neb. — Billionaire Warren Buffett said Saturday the U.S. government is generally taking the right actions to help the economy recover, and it should be given some benefit of the doubt because officials have been reacting in the middle of a crisis.

The state of the economy was one of the first things addressed at Saturday's daylong Berkshire Hathaway Inc. shareholders meeting. Roughly 35,000 people packed an arena and overflow rooms to listen to Buffett and Berkshire vice chairman Charlie Munger answer questions for hours.

"Overall, I commend the actions that were taken," Buffett said. But he said no one should expect perfection because the economy experienced a "financial hurricane."

But Buffett said he can't predict how quickly the economy and the markets will improve. He said last fall that the U.S. was facing an "economic Pearl Harbor."

To illustrate the challenges the nation faced last year, Buffett showed a sales receipt for $5 million in U.S. Treasury bonds that Berkshire sold in December for $90.07 more than face value, ensuring a negative return for the buyer. Buffett said he doesn't think most investors will see negative returns on U.S. bonds again in their lifetimes.

"It's been a very extraordinary year," he said.

Buffett and Munger planned to spend more than five hours answering questions at the Berkshire meeting. In the exhibit hall Saturday morning, Buffett was mobbed like a movie star by shareholders seeking photos of the CEO as he walked between exhibits for subsidiaries Justin Boots and Dairy Queen.

The meeting began as usual with a humorous movie, but instead of the traditional comical cartoon, Berkshire offered a reassuring message from animated versions of its products.

An animated Mrs. See of See's Candy told the crowd that it didn't seem right to have a humorous cartoon when so many things in the world don't seem sweet. And a talking Dairy Queen ice cream treat said the security of the company's balance sheet would help it withstand any blizzard.

The economy, succession at the top of Berkshire and the state of the company, which last year had its worst year since Buffett took over in 1965, were on the minds of many shareholders.

Berkshire's Class A stock lost 32 percent in 2008, and Berkshire's book value — assets minus liabilities — declined 9.6 percent, to $70,530 per share. That was the biggest drop in book value under Buffett and only the second time its book value has declined.

But despite Berkshire's rough year — which was depressed by unrealized multibillion-dollar derivative losses — the company still outpaced the market index Buffett uses as a measuring stick. The S&P 500 fell 37 percent in 2008.

Berkshire reported a 2008 profit of $4.99 billion, or $3,224 per Class A share. That was down 62 percent from the previous year, but better than many companies.

Retired shareholder Paul Gallmeyer of the Chicago area said he wasn't especially worried about who will replace the 78-year-old Buffett as Berkshire's chairman and CEO. He said all of Berkshire's more than 60 subsidiaries are run by people who will keep the company going after Buffett is gone.

"I truly don't see that as much of an issue as other people make it," Gallmeyer said.

But some shareholders, like Dennis Hospodarsky of Waterloo, Iowa, were a little worried about the succession issue.

"I hope he's as good at picking a successor as he is at stocks," Hospodarsky said.

Buffett offered a few new clues about who'll replace him at the helm of Berkshire Hathaway, but Buffett still refused to name the people who will become Berkshire's next chief executive or its next chief investment officer. Buffett received several succession questions.

Three of Berkshire's internal managers are candidates to be CEO.

Buffett said he doesn't see any value in choosing a CEO successor now to follow him around Berkshire's 19-person headquarters because all the candidates are already running businesses now.

Buffett has said his son Howard will take over as chairman to ensure Berkshire's culture is preserved.

Howard Buffett already serves on the board.



Warren Buffett, CEO of Berkshire Hathaway, waves to shareholders before the annual Berkshire Hathaway shareholders meeting in Omaha, Neb., Saturday.