

Conversation with Warren Buffett and Bill Gates

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FULL TEXT

(COMMERCIAL BREAK)

CHARLIE ROSE, CHARLIE ROSE SHOW HOST: Welcome to the program. It is the end of summer, and as we prepare for the next season, we bring you some of our favorite conversations here on Charlie Rose. Tonight an hour with Warren Buffett and Bill Gates, co-founders of the Giving Pledge.

(BEGIN VIDEO CLIP)

WARREN BUFFETT, BUSINESS MAGNATE, CO-FOUNDER OF GIVING PLEDGE: Einstein said shortly after the launch of what was then called the atomic bomb, he said, I know not with what weapons World War III will be fought, but World War IV will be fought with sticks and stones.

And that probability exists, and it's the number one job of the president of the United States, which every president acknowledges, is to the extent possible, protect us from weapons of mass destruction.

And they can exist with individuals, but you don't worry too much about that. The intent, but with organizations and maybe even with a couple of nations. And it's the only real cloud on America over time. We'll solve the economic problems, but that's number one.

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CHARLIE ROSE: Gates and Buffet for the hour, next.

CHARLIE ROSE (voice-over): Funding for "Charlie Rose" is provided by the following. Bank of America, life better connected.

UNIDENTIFIED MALE (voice-over): And by Bloomberg, a provider of multimedia news and information services worldwide.

UNIDENTIFIED MALE (voice-over): From our studios in New York City, this is Charlie Rose.

CHARLIE ROSE: Bill Gates and Warren Buffett are here. Gates is the co-chair of the Bill & Melinda Gates Foundation. The philanthropy focuses on education, poverty, and global health. Warren Buffett is chairman and CEO of Berkshire Hathaway. The company is one of the most successful companies of the last five decades.

The two have famously been friends for more than 25 years. Together, they started the "Giving Pledge" in 2010. The initiative encourages the world's richest to donate the majority of their wealth to philanthropic causes. Buffet

pledged the bulk of his wealth to the Gates Foundation in 2006, and has since given more than 24 billion to charities.

I am pleased to have both of them back at this table. Welcome. And I have to say in the interest of full disclosure, we just did something like this at Columbia University with a thousand students. You two do this before.

There is something special about the curiosity and interest of young people, wanting to know how do they learn from you, wanting to know if you were starting over, what would you do, wanting to know about values. You do a lot of this.

(LAUGHTER)

WARREN BUFFETT: Well, about the friendship, we met on July 5th, 1991, and hit it off immediately. Bill was a little reluctant at first, but he got there.

(LAUGHTER)

CHARLIE ROSE: Reluctant to come.

WARREN BUFFETT: Yes. If it wasn't for his mother, we probably wouldn't know each other. And we've had a good time ever since. And we've cooperated on -- particularly on the giving but other things as well. And I have to say, everything about us turned out well.

CHARLIE ROSE: He sits on your board.

WARREN BUFFETT: He sits on the Berkshire board and we had a lot of fun talking about a lot of things. But the big thing that really came out of one of those discussions really was the Giving Pledge. That's worked out so much better than I ever anticipated, Charlie. I thought if we got 30, 40 people, you know --

CHARLIE ROSE: And how many have you --

WARREN BUFFETT: I think we're 156 or something like that. And the people -- and now we've gone beyond the borders of the United States, which I didn't feel would originally happen. And people are learning more, our members, about effective philanthropy.

They're learning about things that didn't work. They're learning how people handle within their families, wealthy families. It's worked out so much better than I would have guessed six years ago or seven years ago.

CHARLIE ROSE: Both of you have made the point that there is a lot -- because of the success in technology, there are a lot of people with a lot of money who are much younger.

BILL GATES, BUSINESS MAGNATE, CO-FOUNDER OF GIVING PLEDGE: Yes, it's a great thing that these companies are doing so well. As a group, I would say it's a particularly philanthropic group. I didn't give huge gifts until I was 45. Some of them in their 30s are already doing amazing things.

CHARLIE ROSE: Why were you -- if the word is "reluctant," reluctant to give earlier than that?

BILL GATES: I am taking the time to understand where the huge payoffs were. And I was pretty maniacal about Microsoft. And only in my late 30s with some encouragement from my wife, Melinda, did I start to study it, talk with her about it. We knew we would do it by the time I was 60, but as we were doing that learning, we decided we should accelerate it. And we found a lot of ways that we thought we could have high impact.

CHARLIE ROSE: And the principle of mission call was that all lives are equal.

BILL GATES: That's right. And a lot of that outside the United States has gone to save lives and have kids grow up to be healthy.

CHARLIE ROSE: How did you decide that you'd rather give your money to the Gates Foundation than create some foundation of your own and go out and find people to run it and do whatever you wanted to do?

WARREN BUFFETT: Well, my first wife, Susie, and I actually started a foundation over 50 years ago. We talked about it since we were in our 20s. And I always thought I would be rich. He shouldn't think I would be. I said to her, if I compound money at the rate I hope to compound money, there will be really large sums later on. You're good at giving it away, I'm good at making it, so I'll make it first to do give it away. And she thought that was half a cop-out and half logical.

(LAUGHTER)

CHARLIE ROSE: And probably told you so.

WARREN BUFFETT: Absolutely. So, we did something, like I say, we started over 50 years ago. But I really thought that there would be large sums later on and that she was particularly good at empathizing with people, understanding their need, putting the personal energy into it and everything. She would be better at giving away money than I would be. And she died in 2004, as you know, so I had to rethink what I was going to do.

And so in 2006, I decided that essentially, five foundations, the Bill & Melinda Gates Foundation being the largest, and looking for people that had similar goals with philanthropy with what I had and the idea that every life is of equal value is just fundamental to me. If you're lucky, you're lucky.

CHARLIE ROSE: And you knew Bill would run it well.

WARREN BUFFETT: Oh, of course. I mean, he's putting all his money out, which was a big deal. But far more than that, I mean, you had two much younger people, very bright, very hard working. They work much harder at this than most people do in this country in their jobs. And they were on the same track I was on. Proven quantity. I mean, everything about it made sense. And it's continued to make sense 10 years later.

CHARLIE ROSE: Bill talked about Melinda's influence. You have said to me about Susie, your late wife, "I was a mess until I met Susie."

WARREN BUFFETT: I think that's understating it.

(LAUGHTER)

WARREN BUFFETT: She's changed my life, there's no question about that.

CHARLIE ROSE: How did she change your life?

WARREN BUFFETT: Well, I was a very lopsided, not well-adjusted person who happened to be very good at one thing, and she put me together. I mean, it wasn't overnight, either. But she just had that little sprinkling can, you know, and finally she saw a few sprouts come up.

CHARLIE ROSE: Was it a coming together of opposites?

WARREN BUFFETT: No, no, I wouldn't say that. We have very similar value – we were in sync. In a very way. But I – she was way more mature than I was. She was 19 when we got married, I was 21. I was about 12 emotionally. And she put me together. And like I said, it took time. But it changed my life. I mean, I would not have been (INAUDIBLE) anything like the life I have had.

CHARLIE ROSE: And what did Charlie Munger add?

WARREN BUFFETT: Well, Charlie Munger, my partner of 57 or 58 years, and he's extremely wise. He's a wonderful friend. We've been partners that time, and he's strong minded, I'm strong minded. We disagree sometimes. We have never had an argument in that whole time and we never will.

CHARLIE ROSE: Never had an argument?

WARREN BUFFETT: Never had an argument. That is absolutely true.

CHARLIE ROSE: You must disagree on things.

WARREN BUFFETT: Absolutely we disagree.

CHARLIE ROSE: If you disagree, how do you decide to --

WARREN BUFFETT: Well, what he says at the end is -- when we disagree, he says, "Warren, you'll end up agreeing with me because you're smart and I'm right."

(LAUGHTER)

WARREN BUFFETT: You know, where do I attack that particular --

CHARLIE ROSE: You'll figure out I'm right.

WARREN BUFFETT: Often he's right. I have to say that. Listen, I respect his opinion enormously whenever he gives it to me. I respect Bill's opinion. It's more fun doing things with partners. I mean, the most fun is, obviously, a marriage partner, and that's the most important relationship.

But having a business partner, if I had done everything I had done, it wouldn't have worked out let's say I got double the results, it would be more fun doing it with Charlie.

CHARLIE ROSE: Who says no to Bill Gates?

BILL GATES: Well, Melinda.

WARREN BUFFETT: I've seen it happen.

(LAUGHTER)

BILL GATES: It's great when somebody knows, you know, when you might move too fast and be over-optimistic. And, you know, if a team comes in and I'm pointing out things we haven't done and maybe they're not as motivated afterwards, so they can get me to correct that. I -- I've matured a lot, and I give Melinda immense credit. You know, she still has work to do, but --

(LAUGHTER)

BILL GATES: -- I think I'm getting there. Complimentary strengths where you share the same goal is a great thing. I had that with Paul Allen in the early days of Microsoft. I had that with Steve Ballmer, as Microsoft got going. Now, both in my family life and the foundation, it's Melinda.

CHARLIE ROSE: How much time do you spend at Microsoft?

BILL GATES: I'm there about 15 percent of the time. And I get to work just on the R&D part, brainstorming with people, thinking, OK, how are we going to take this artificial intelligence and make it understand, help you use your time better. It's a very exciting time in software, and, you know, there's five companies that are, you know, in really strong position. Microsoft is leading in some really cool stuff, so --

CHARLIE ROSE: Like what?

(LAUGHTER)

BILL GATES: The way that a business takes information about customers, about communication with customers, looking at data, that mission of really using data in A.I. and getting the productivity of all those workers up because they see more information, Microsoft is the leader in that.

And it's a well niche. You know, it's a multi-hundred-billion-dollar niche that they're strong in. And they will be innovating along that line more in the next few years than ever in our history.

CHARLIE ROSE: You have a passion for artificial intelligence, you do.

BILL GATES: Yes. The ultimate dream when you start working on software is the kind of deep understanding and intelligence that humans have. So it's been the holy grail when can the computer learn to play games? When can the computer learn to read? When can it understand speech?

And things like speech and vision have made such progress in recent years. I mean, you know, you have been tracking this and exposing your viewers to some of it because I can't overstate that even for people in the field, it's a pretty magical time.

CHARLIE ROSE: And its potential is to do what, change everything?

BILL GATES: Well, to – in the first instance, to be the best assistant ever, to look at all your information and, you know, help you know in the few minutes between meetings what you should look at or when you're trying to plan a trip, organize things, to a much, much, much better assistant than it is today.

And then eventually certain mechanical tasks like warehouse work or driving that it would take that over. But for intellectual work, it will just magnify the creativity and make your time more valuable.

CHARLIE ROSE: Are you interested in technology?

WARREN BUFFETT: I don't have enough – I don't think I have a natural bent that way to start with. And I'd be so far behind, I never would catch up with people that have been working on it and – it would not be a game I would be able to win at.

CHARLIE ROSE: Is it a principal criteria for you understanding the business?

WARREN BUFFETT: Yes, I have to understand the business. And there are lots of businesses that I don't understand. Some of them may be almost understandable, and others are just outside my sphere of competence.

CHARLIE ROSE: But you do have people now that do have that kind of expertise that you have brought in.

WARREN BUFFETT: I have two people who themselves have different circles of competence. But they aren't chosen because they have a different circle or anything. There's a lot of overlap. There's overlap between them.

And the important thing, you know, is not how – it's nice to have a huge circle of competence. It's much more important to know where the limits are of it. You can do very well if you only understand 5 percent of the businesses of the country.

(LAUGHTER)

CHARLIE ROSE: And find plenty of opportunities.

WARREN BUFFETT: And you know which five – you know that you've got the 5 percent in that circle.

CHARLIE ROSE: I mean, you made a huge purchase in 2016, Precision was bought in 2016.

WARREN BUFFETT: Yes, we bought it in 2016.

CHARLIE ROSE: Thirty-seven billion dollars.

WARREN BUFFETT: Including debt, 33 or 34 billion in cash, assumption of about 4 billion in debt.

CHARLIE ROSE: Is it harder and harder to find an acquisition candidate because --

WARREN BUFFETT: Sure. I mean, we got to move a needle on 400 billion of market value. If we make a million dollars, we're talking a quarter of 1 percent. And that's after tax. I mean, that's more than a billion and a half pre-tax. So, it's hard to find things. I would do better percentage-wise if I was working with a much smaller amount of capital.

CHARLIE ROSE: How do you find them?

WARREN BUFFETT: It's interesting. I get a call. Thinking -- I mean, different things. In terms of buying private businesses, it's because I get a call from a private seller, but occasionally I just decide to act and we never do anything unfriendly, but in terms of buying whole businesses --

CHARLIE ROSE: Are there people who know you and are close to you on the lookout for you or --

WARREN BUFFETT: Not much.

CHARLIE ROSE: -- it's unlikely that --

(LAUGHTER)

CHARLIE ROSE: You shake your head.

WARREN BUFFETT: Charlie, we (INAUDIBLE) 12 billion of common stocks since the election.

CHARLIE ROSE: Twelve billion of common stocks.

WARREN BUFFETT: It's in my mind, which ones I pick. Now, the guys that work with me, the two fellows, they probably bought a little bit or so, a little bit too. But those are just -- those are ideas that I've either come at from a different slant in some way or whatever it may be.

CHARLIE ROSE: Is airlines one of those?

WARREN BUFFETT: Well, it will show on September 30, that we own some airlines.

CHARLIE ROSE: Right.

WARREN BUFFETT: Some stocks.

CHARLIE ROSE: So why did do you that?

WARREN BUFFETT: Well, then I won't get it.

(LAUGHTER)

WARREN BUFFETT: But it was -- it was in large part my decision.

CHARLIE ROSE: The old joke as you know --

WARREN BUFFETT: Absolutely.

CHARLIE ROSE: How to become a millionaire. You start as billionaire and buy an airline.

WARREN BUFFETT: There's no question that it's been a graveyard for a lot of money.

CHARLIE ROSE: But transportation has been something both in terms of –

WARREN BUFFETT: Yes, but they're not related. The railroads and airlines are not related.

CHARLIE ROSE: At all?

WARREN BUFFETT: There are different kinds of businesses. You can't move the track and move planes around. And you can't go into – I mean, airlines attract people – there's a certain romance to it, like Hollywood does or something.

So you can actually go into the business and more than a hundred airlines have gone broke in the last 20 or 25 years or something like that. So, it's a different sort of business.

CHARLIE ROSE: How is knowing Bill changed or influenced or enhanced your sense of the way the world works?

WARREN BUFFETT: Well, I learn from him. You know, I like to learn from all friends and Bill happens to be a particularly good source. But that's – listen, that's the fun of having friends, Charlie. I don't think I would – it would be hard for me to be a friend with anyone I don't learn something from. They'd probably get kind of bored with me, and I'd get bored with them.

(LAUGHTER)

WARREN BUFFETT: Who is that guy talking about stocks?

CHARLIE ROSE: And Bill, what you learned from him being associated with him, sitting on his board?

BILL GATES: Well, immense amounts. You know, he wrote an article for "Fortune" magazine that I read before I met him about that it's not necessarily a good idea to leave large sums to your children. So that was pretty fundamental and I remember reading that and I was convinced that that was right. And it meant, wow, now you have to think of how to give that away. I also remember Warren showing me his calendar and –

CHARLIE ROSE: Oh, I love this.

BILL GATES: – and, you know, I had every minute packed. In my thought, that was the only way you could do things. The fact that he is so careful about his time –

(CROSSTALK)

BILL GATES: He has days –

CHARLIE ROSE: That there's nothing on it.

BILL GATES: That there's nothing on it.

WARREN BUFFETT: Absolutely.

(LAUGHTER)

CHARLIE ROSE: This is October --

BILL GATES: And it's very high-tech, be careful, you might not understand it.

CHARLIE ROSE: This is the week of April, which there are only three entries for a week.

WARREN BUFFETT: And there will be four maybe by April.

(LAUGHTER)

CHARLIE ROSE: It taught you what, not to crowd yourself too much and give yourself time to read and think and --

BILL GATES: Right. You control your time, and that sitting and thinking may be of much higher priority than a normal CEO, who, you know, there's all this demand and you feel like you need to go and see all these people. It's not a proxy of your seriousness that you filled every minute in your schedule.

WARREN BUFFETT: People are going to want your time. It's the only thing you can't buy. I mean, I can buy anything I want, basically, but I can't buy time.

CHARLIE ROSE: And so to have time is the most precious thing you can have.

WARREN BUFFETT: Yes. I better be careful with it. There is no way I will be able to buy more time.

CHARLIE ROSE: And living in Omaha makes that easier.

WARREN BUFFETT: Makes it a lot easier. For 50 --

CHARLIE ROSE: Whatever it is now.

WARREN BUFFETT: Well, for 54 years, I spent five minutes going each way. Now just imagine if that was a half an hour each way. I know the words to a lot more songs, and that's about it.

(LAUGHTER)

CHARLIE ROSE: It adds up, doesn't it?

WARREN BUFFETT: It really adds up. (INAUDIBLE) hour a day difference, coming and going, that's 2.5 percent of person's work week. That means 40 years if you're talking about a year.

CHARLIE ROSE: Do you agree politically?

BILL GATES: On almost everything. You know, general sense that you got to keep the economy turning up greater output and that you have to allocate it in a fair way. Yes, that basic framework we see very much the same.

CHARLIE ROSE: Do both of you believe we can achieve a 4 percent growth rate?

WARREN BUFFETT: That's pretty high.

CHARLIE ROSE: Pretty high.

WARREN BUFFETT: But --

CHARLIE ROSE: Just by 2016, I think the last quarter was like 1.26 or something.

WARREN BUFFETT: Charlie, a 2 percent growth rate, if we have a little less than 1 percent population growth, which we probably will, in one generation -- 25 years, now people (INAUDIBLE) later, will add 19,000 per capita, family of four, 76,000 to real GDP, so that -- a family on four on average, that would be 76,000 more stuff per family of four in one generation.

I mean, we are going to have more -- the goose is going to keep laying more golden eggs. I mean, we got a wonderful system.

CHARLIE ROSE: Well, but there are certain things that will get in the way of that.

WARREN BUFFETT: Two percent. I think will do from it.

CHARLIE ROSE: You'll do at two percent.

WARREN BUFFETT: Yes. And two percent will produce miracles.

CHARLIE ROSE: But 3 percent is probably possible, isn't it?

WARREN BUFFETT: It could be, but that would be fabulous.

CHARLIE ROSE: Right.

WARREN BUFFETT: But 2 percent will -- 19,000 per capita. That's greater than exists in, you know, a whole lot of countries. That will be added. The question is, what we do with it?

CHARLIE ROSE: How do you see the future of China?

BILL GATES: Well, they've done a great job on some things. They're not in democracy and so hangs in the balance how their political system will evolve.

But in terms of raising incomes, getting rid of poverty, improving health, it's an unbelievable miracle that they're embracing, in their own special way, of the market, since really just 1990, they've done very well, and so the second biggest economy in the world.

They're serious about trade. They're serious about clean energy. They are super important. The most important relationship in the world is the U.S.- China relationship.

CHARLIE ROSE: Clearly. Because they're the two biggest economic powers in the world.

BILL GATES: Right and they're rising --

(CROSSTALK)

BILL GATES: We're strong and we're going to stay very strong.

CHARLIE ROSE: What could make us not stay strong?

BILL GATES: There's a lot of strength that we built up over decades, the way we do research, our universities, the way that people take risk, and that's why our technology companies are still so strong.

Our bio tech companies are still so strong. So, the education system is one that, you know, we need to go back and look at, you know, and that is one huge source of inequity because we get a great education, actually, the outcomes are pretty good.

CHARLIE ROSE: Your experience has told you it is much harder than even you imagined.

BILL GATES: Improving the U.S. education system, yes. The dropout rate has gone down a bit, so that's great. But the overall reading scores, math scores, and the inequality hasn't budge much in the last 10 years. And one of the goals of our foundation is, working with partners, to change that.

And so far, it's proven to be one of the tougher ones. We still believe that it's super important and there are promising, if we look at individual schools, we see great things. So we still believe it's achievable.

CHARLIE ROSE: All the talk about immigration, I want to talk about it a little bit, all the talk about immigration, are we still looking at a situation where some of the best and brightest from overseas come here, get an education, and then go back to India or china or where rather than staying here?

BILL GATES: A lot do stay. And the most important import the U.S. has ever had by far is human talent. It's been to our benefit that a lot of the hardest working, best and brightest from almost every country in the world have wanted to come to the U.S.

And so if you look at university departments or, you know, doctors, engineers, people starting up companies, building jobs, it's been a huge strength of ours.

We haven't always made it super easy for that to work, but it has worked very, very well. So the number going back, it's meaningful, but net, we are still a huge beneficiary of human talent.

CHARLIE ROSE: But it used to be said and Tom Friedman, I think, first wrote this, we ought to staple a green card to every diploma.

BILL GATES: I believe that (INAUDIBLE) bias because I'm from the tech industry where we can create multiple jobs around the engineer instead of having to do that outside the United States. Yes, I believe that keeping talent in the country is a great thing.

CHARLIE ROSE: Tell us the story, because you told me this story and I -- you think the second most important document in America's history, after the declaration of independence, or perhaps the U.S. Constitution or both, you know, is this letter --

WARREN BUFFETT: Yes, letter written by --

CHARLIE ROSE: By two immigrants.

WARREN BUFFETT: It was a letter written by two Jewish immigrants.

CHARLIE ROSE: Whose names were --

WARREN BUFFETT: That doesn't sound like much until I tell you one of the names. In August of 1939, just before Germany moved into Poland, Leo Szilard, whose name is not well known, who was born in Hungary, but he went to Germany, and he worked in Germany with Albert Einstein.

And in 1933, I believe both of them left Germany, and where do they come? They come to the United States. And they become United States citizens. And they co-signed a letter to President Roosevelt. Szilard got Einstein to sign it because his name carried more weight.

And that letter which you can see on the internet, not even a full page, says, Germany is going -- I'm really paraphrasing here -- Germany is going to get an atom bomb and we better get to work on one. And the "Manhattan Project" came out of that. And who knows what would have happened in World War II. A, if Hitler hadn't been so anti-semitic, great scientist and everything.

And secondly, if those two hadn't chose to emigrate to the United States, I mean, the United States was, you know, it welcomed them. And they -- they may have saved this country. They may have saved this country.

CHARLIE ROSE: So Germany did not get it and we did.

WARREN BUFFETT: And all those B1s and B2s that were logged over there in England, this is not the right warhead from the standpoint of the Germans. If we had started three years later, who knows what would have happened. Remarkable men, and they were both immigrants.

CHARLIE ROSE: You sent me a note, maybe a month ago, and you basically said, I'm not worried about the American economy.

WARREN BUFFETT: That's right.

CHARLIE ROSE: What I worry about is that somehow and someday, we'll make a mistake in terms of the employment of nuclear weapons or some some bad character will buy them or steal them --

WARREN BUFFETT: Weapons of mass destruction are out there. The knowledge --

CHARLIE ROSE: Accident, a computer blip or whatever it might be.

WARREN BUFFETT: It's a tiny, tiny probability any given day --

CHARLIE ROSE: Right.

WARREN BUFFETT: -- but there are people who wishes -- there are people who would like to kill millions of Americans. And there are some psychotics, there are religious fanatics, there are (INAUDIBLE). I mean, the world has a certain number of them and if they got in the wrong position and they have the knowledge and they have the ability, there are people who would like to kill millions of Americans.

And the weapons are there to do it. I mean, when we -- Einstein said shortly after the launch of what was then called the atomic bomb, he said, I know not with what weapons World War III will be fought, but World War IV will be fought with sticks and stones.

And that probability exists, and it's the number one job of the president of the United States, which every president acknowledges, is to the extent possible, protect us from weapons of mass destruction.

And they can exist with individuals, but you don't worry too much about that, the intent, but with organizations and maybe even with a couple of nations. And it's the only real cloud on America over time. We'll solve the economic problems, but that's number one.

CHARLIE ROSE: You agree?

BILL GATES: I agree. And it's not just nuclear weapons.

CHARLIE ROSE: No.

BILL GATES: The bioterrorism piece is also quite daunting.

CHARLIE ROSE: What's the bioterrorism piece?

BILL GATES: Well, extreme case, somebody would reconstruct, say, a smallpox virus and have that spread, and it would not only kill millions, it could potentially kill billions.

WARREN BUFFETT: I think it was on the op-ed piece in "The New York Times" within the last, about two years. I check with Bill because I don't understand this stuff well enough. And he said, yes, it makes sense, in terms of being feasible. It was basically about reconstituting smallpox. I mean, there are people in the world, there may be organizations, probably are organizations that would love the idea of creating a smallpox epidemic.

CHARLIE ROSE: And how do you prevent them from doing that?

BILL GATES: You want to have surveillance to catch it as soon as you can. You want to have medical tools where you can create a vaccine and protect people. Science is working on the defense part of this at the same time it's making the offense slightly easier. So if we're vigilant, there's a lot of steps we can take to make the risk lower, just like minimizing access to fissile materials meaningfully reduces the chance of a nuclear weapon.

CHARLIE ROSE: There are some who argue the next war will not be a nuclear war or perhaps not even bioterrorism, it will be a cyber war.

BILL GATES: That's a third area and I – you know, personally, there are only the three, but not much comfort. Yes, the – a modern society depends on electricity and communications and information flow. And if you can for a substantial period of time, disrupt that, then a lot of systems, you know, including how a hospital organizes itself, or how food gets moved around.

CHARLIE ROSE, THE CHARLIE ROSE SHOW HOST: Or a financial institution.

BILL GATES: You know, or an airline decides what to do – or, yes, bank accounts, you know, what was that bank account supposed to be? And, so, a lot of experts in government and companies now are spending time thinking about, OK, how do you minimize that? How do you have duplicates, backup, lot of sophistication going into that.

CHARLIE ROSE: Can the United States risk a trade war with China or with Mexico, or will it have a...

WARREN BUFFETT, CO-FOUNDER, GIVING PLEDGE: It's not a good idea.

CHARLIE ROSE: It's not a good idea.
(LAUGHTER)

WARREN BUFFETT: Trade benefits.

CHARLIE ROSE: Yeah.

WARREN BUFFETT: The problem of trade is that the benefits are diffused and invisible. So, you don't walk in and buy a pair of shoes, or some underwear, or anything, and it says you just saved 12 percent because this was purchased by somebody.

So, 320 million people are buying things – the bananas come – they're buying things cheaper than they would otherwise. But the harmful effects, taking somebody out of a job they've had for 25 years when they – it's too late to retrain them for anything, they are very specific and terrible.

Now what you want to figure out a way is to keep the societal benefits and take care of the people that really are the – you know, they – the road kill basically in this. And there will be road kill. I mean, there is no sense kidding yourself.

I mean we have text – we started with a textile model at Berkshire. Half our workers only spoke Portuguese. Now they worked in hot conditions, loud conditions, and they spent 20 or 25 years on looms. When textiles moved elsewhere, their lives – economic lives were ruined.

And that is going to happen. That is part of – of trade and the benefits, you know, when somebody buys whatever textiles we were turning out, you know, handkerchiefs or anything, they may buy them a little cheaper.

And we've got to keep the trade benefits to everybody, us and them, as a society, it penalizes certain people terribly, and we've got to take care of the people that are getting hurt because we got the resources.

CHARLIE ROSE: And take care means what?

WARREN BUFFETT: Well it means that somehow you're going to have to have some kind of – you got to have retraining and all that when that's feasible.

But when it isn't feasible, when you only speak Portuguese and you're in New Bedford and you're 55-years-old, and you spent your whole life on a loom, you've got to make sure that person has an income that's commensurate. We can do it as a society and we don't want to let the individual case prejudice against trade that benefits everybody, but we also don't want to say because everybody is benefiting, to hell with this guy. We can afford that

and we should do it, and that's how we'll get a good trade policy.

CHARLIE ROSE: Did you appreciate, Bill, the economic insecurity that was out there that Donald Trump was able to tap into politically?

BILL GATES: No, I'm not an expert on political sentiment, so I was no better at seeing those trends than other people.

CHARLIE ROSE: On Brexit and...

BILL GATES: Again, I was surprised by the Brexit vote.

CHARLIE ROSE: Yeah. And the notion of the populists uprising that has taken place in the sense of feeding off of that.

BILL GATES: Well, there is no doubt that younger people and urban people in terms of their social mores and you know, being seem to benefit relatively more from the new technology and things that are out there, there is somewhat of a divide there.

The fact that that would lead to these political results is a bit of a wake up call to say OK, what is in terms of economic and social issues are – you know, can we buy improving medicine, improving the education system, can we take what the negative views are there and engage, and uplift their views to the future.

To me the greatest surprise of all isn't how people voted, because I – I didn't think of myself as having expertise on that, but this general question when you say, will your children be better off than you? I believe their children will be better off. But the fact they don't feel that way, that the improvements in health and the new products that will be available to them are...

CHARLIE ROSE: And what technology enables them to do and all of that.

BILL GATES: Right. That is a concern because if people don't see the arrow of time pointing towards greater things, the idea of doubling down on more research and you know, taking the best education, and getting that spread around, it creates a sense of malaise where you don't have the guidance to hey, some things are working, let's do more of those things.

CHARLIE ROSE: Yeah. But the question I ask also is, can America lose? I mean, if you look at today, we have the best military, we have the best economy, we have the best universities, we have the best talent, and we have the best spirit of innovation and creativity, could we lose that?

WARREN BUFFETT: I don't think we will. No. I think the odds of losing that are very...

CHARLIE ROSE: This is what you call the special sauce?

WARREN BUFFETT: We've got the special sauce and we still – we still got a special sauce. If the rest of the world learns from that special sauce, then you know, it's not a zero sum game. That's terrific. That is terrific. But it won't deprive us.

So overall, in aggregate, our society will be far richer 10, 20, 30 years ago, and if you just take an aggregate, our children will live better. The real question is, will it continue to leave lots of people behind? And a specialized market system will leave people behind.

There is -- if somebody is -- however you want to measure it, ten percent below average, their opportunities in this world today have not improved at all, you know from 30 or 40 years ago.

And the classic situation is you take the Forbes 400, in 1982, the number one guy was Dan Ludwig which you've never heard of and he had \$2 billion.

(CROSSTALK)

WARREN BUFFETT: Yeah. I mean, now it would be 30 or 40 times that -- 30 or 40 times. And this more highly specialized economy, year after year, different from that agrarian economy of 200 years ago, it's going to be more and more people at the very top winning big, big, big time.

And it really won't do, absent certain types of programs. It won't do much for the person that really doesn't have any special skills for the market. The average person or slightly below average person in terms of particularly market talents, is not going to do very well unless -- unless we have a policy to make sure that they participate in some way. And the guys at the top are going to keep doing better.

(CROSSTALK)

WARREN BUFFETT: Pardon me?

CHARLIE ROSE: Policies from the government?

WARREN BUFFETT: It has to be government. Government is always -- I mean, the market system is this traffic cop. It directs resources, it directs brains, and it does -- and it does a great job of it. But if it affect -- it also directs all the winnings. It will continually favor more people at the top.

Government is always -- I mean, government came in with social security in government, you know, redirects the winnings so it isn't totally the market system that delivers the winnings.

But I don't want to kill the market system in terms of producing at all. We want more and more stuff, but there will be more and more people falling further relatively behind, and that's not a good result. I mean, we can afford and we can do better.

CHARLIE ROSE: And somebody -- I'm sure you saw this, I mean, there was a report I think last week that suggested, it took eight billionaires and basically said they have more wealth than the bottom half of the population in the world, 50 percent of the people in the world.

WARREN BUFFETT: In this country, if you took the Forbes 400, they have \$93 billion in 1982 and they have \$2.4 trillion now, 25 times as much as -- not exactly the same people, but check the 400, 25 times as much as 35 years ago, and believe me, that does not strike somebody that's working 40 hours a week and trying to support a couple of kids on it and finding, you know...

CHARLIE ROSE: And their income has remained the same or be in less.

WARREN BUFFETT: They just aren't participating.

CHARLIE ROSE: Or they're threatened by forces they can't comprehend.

WARREN BUFFETT: They can't -- the market system just pays more and more -- just to say, say you're a middle-weight boxer. And then I'll be a -- in the '30s you were limited of you know -- you wouldn't even get on the under card of Madison Square Garden and it was limited. But then television comes along and cable comes along, and pay-per-view, and tens and tens of millions of dollars. So at the top, it's terrific. But if you're the 45th middle-weight

in the country, it's pretty much the same as it used to be in the '30s. So the spread gets wider.

If you're Frank Sinatra, you're going to a lot better off if you got television than just playing at some theater in New York right where you started. It's magnified but throughout. I mean if you got a good business idea, you can get it capitalized and become worth billions just on the idea.

It's just tougher. Whereas, you know, you go back to 1800, and if you were -- if you were reasonably strong and willing to work hard, you were worth 90 percent as much on a farm as the very best guy. You it just though the differential -- and it will keep widening, the market system will push it in that direction, but government is there to...

CHARLIE ROSE: What would you change if you could?

WARREN BUFFETT: Well, I would change the earned income tax credit big time.

CHARLIE ROSE: Yeah.

WARREN BUFFETT: You know, I am where I am not by myself at all. I mean, there are 320 million Americans out there and there are a lot of crosses over at norm and everything else. And it just -- I benefit enormously by having come along when I came along and where I came along.

And some people did and some people didn't, and there is nothing wrong with a market system that rewards, anybody that makes life better for millions of people. They ought to get enormously rewarded. But you've got to take care of the people that just don't fit well into that particular niche.

I mean if this country paid off based on athletic ability, I mean, I could -- I could study eight hours a day and have all these -- and I'm still going. You know, I'll get in the ring or something like that and ten seconds later I'm on my back.

So it -- it's the talents that get rewarded in a market system are important because they bring us more of the goods and services that the country wants and make all kinds of improvements in how we live, just incredible, but they leave people behind and it won't be solved simply by education. You want everybody to...

CHARLIE ROSE: And is it the responsibility of government to do something about it?

WARREN BUFFETT: Sure, it is. Sure, it is. That's what...

(CROSSTALK)

CHARLIE ROSE: Go ahead, Bill.

BILL GATES: The government, you know, also has to keep, you know, business in shape that it has the incentive to do things right, and striking that balance, you know, should be at the heart of political dialogue.

WARREN BUFFETT: You need more gold and (Inaudible), and nothing is going to work. You have the fairest island in the world and two guys who are emphasis living on it and deciding exactly how they should divide up the palm tree, it's the only thing on the island, but it won't make any difference.

(LAUGHTER)

CHARLIE ROSE: So beyond National Security issues, when you -- what do we have to be fearful of in the future? When we talked about some people believe there are artificial intelligence offers certain types of risk and you've spoken to that.

That it can become out of control and somehow, you've spoken to that and other people have. What's around the corner that will both benefit us, artificial intelligence clearly one of those things, too, but also offers a scary world,

whether it is gene editing or that kind of – do you think about these things?

BILL GATES: Yes, gene editing is a good one where the promise of helping with disease, making plants to be more productive. Gene editing is you know, playing with the software of life.

CHARLIE ROSE: Right, right, right.

BILL GATES: Sort of the ultimate software work, and yet, deciding exactly how it should be used. You know, if you could make sure your child was thin or, you know, attractive or had certain other characteristics, is that an appropriate use of the technology? And so society will have some...

CHARLIE ROSE: Who can answer that question?

WARREN BUFFETT: I'll volunteer for the better testing on that.

(LAUGHTER)

CHARLIE ROSE: I'm serious, Bill, how do you decide that?

(CROSSTALK)

BILL GATES: Those are government...

CHARLIE ROSE: The whole thing about is there some – is there some balance between freedom and security and it came up in terms of – you know, even in terms of getting inside of a phone in which a terrorist might have left future possible terrorist acts, you know.

BILL GATES: Well, that's another one where – you know, making sure the government isn't completely blind to what goes on in financial transactions, communications, because you trust that the appropriate policies for when and how government's ability to see information is used.

That's another one where there will be a big debate about, you know, some extremist might say, you know, government really shouldn't see anything, others would say government should see everything, but I think there is the potential for the best of both worlds approach.

CHARLIE ROSE: If in fact there is an appropriate procedure to it yet.

BILL GATES: Right and we have to have procedures.

CHARLIE ROSE: Right.

BILL GATES: And, you know, some people feel that even so some things went on. So they – you know, there are voices out there that would tend towards the, hey, let's not let government see things, and that's another political question, how much do we do gene editing and how much the government has this ability.

You know, we need politicians who really draw in great opinions. You know running a health care system and deciding, when people are inventing super expensive treatments, should health care demand so much of the economy that investing in education and social services, and those things, that will be another huge problem that will be debated in the political arena.

CHARLIE ROSE: Who has health care right – who's got health care right in your judgment?

BILL GATES: The European countries.

CHARLIE ROSE: Scandinavian or...

BILL GATES: Well, the U.K. spends about half as much as a percentage of GDP as the United States. Now, their system has waiting and things like that, but it's hard to express what a mammoth difference that is. You're talking about almost nine percent of GDP difference. You know, that is one out of 11 people who go to work every day are the extra health care activity here in the United States. So I'm not saying we should just wholesale adopt their system which is a single payer system.

There are other really good systems that are not single payer systems, Germany, Switzerland, France, they do quite well. It's one of the few things.

Access to medical care is one of the few things that we actually do quite a bit worse than other rich countries. There are some like education that a lot of rich countries don't do a very good job on. This one is -- is where we're sort of uniquely bad.

CHARLIE ROSE: Health care and education, we don't do as well as other people, other industrialized nations?

BILL GATES: Most rich countries don't do that well on education and there are pieces like top universities where we are absolutely the best in the world by a lot. You know, so that one we're more middle of the pack in terms of our treatment. It's health care access where we have to say we look particularly bad.

CHARLIE ROSE: Is there a ticking clock on global warming?

BILL GATES: Yes. Fortunately, it's not, you know, overnight. The really big negative impacts are in the, you know, 30-year to 70-year time frame, although it has already increased the chance of drought and storms, and we're seeing -- we're seeing that...

CHARLIE ROSE: You can see a direct causation there?

BILL GATES: Yes, the heating effect is already there. Now, overlaid with that are -- is the Pacific Oscillation and normal weather things.

So exactly how much of it is the heating signal versus those other things, you can get reasonable disagreement but there is no doubt that that's there. The global average temperature is rising and the droughts -- particularly in places like the Middle East or parts of Africa, were already seeing some of that.

And as you go out in time, it gets a lot worse. So changing the energy system which has a long lead time of invention and deployment, you know, I feel this is one of the most urgent problems.

CHARLIE ROSE: And is the urgent answer finding alternative sources of energy?

BILL GATES: Finding that magic -- three characteristics, reliable, clean, and low cost, and there are many paths to get there. And so we have to encourage lots of innovators trying different things.

You know, if you could take sun and turn it directly into gasoline, you know that would be an approach because that can be stored 24 hours a day and even moved around very well.

There is approach that has been involved taking nuclear to a new level of safety and lower level of cost, so that would be a key part of the system. You know, we need to find a lot of innovative ideas, both governments and private sector.

CHARLIE ROSE: Is your life today more intellectually challenging than when you were running Microsoft?

BILL GATES: That's hard to compare. I -- I'm on a steep learning curve in both cases. You know, I -- I love the fact that I get to meet great people. I get to see things work, see things that fail. For this stage of my life, I'm in a perfect position, I couldn't be happier.

CHARLIE ROSE: Because you have an influence on Microsoft. I mean, not just being software...

BILL GATES: I enjoy going over and sharing my thoughts.
(CROSSTALK)

BILL GATES: And they -- you know, I get to keep up to date a little bit because of that. And we're using some of those digital enablement things, like, to get cheap financial services to poor people all over the world or to look at medical data. And so staying up to date on the digital piece helps me do my foundation work.

CHARLIE ROSE: I mean you said something akin to this, you know, the average person today lives better than John D. Rockefeller did when he was alive.

WARREN BUFFETT: That is true.

CHARLIE ROSE: The richest man in the world at the time...

WARREN BUFFETT: Yeah.

CHARLIE ROSE: ... live better.

WARREN BUFFETT: Yes, lived better. Yes, in terms of your entertainment choices, your travel choices. You couldn't buy them. I mean, and that was -- that's in one lifetime. It's amazing.

CHARLIE ROSE: What brings you the most satisfaction, beyond family?

WARREN BUFFETT: Well, the most -- greatest satisfaction is just staying in good health. I mean, when you're 86, you look at this a little differently.

(LAUGHTER)

CHARLIE ROSE: So you -- YOU'RE in good health?

WARREN BUFFETT: Oh, yes. I mean I enjoy every day. I enjoy...

CHARLIE ROSE: But what is it that you enjoy?

WARREN BUFFETT: Well, I enjoy running Berkshire, if you get right down into my psyche.

(CORSSTALK)

CHARLIE ROSE: That's what I want to know.

WARREN BUFFETT: You know, it's been my painting for 50-some years. I get to paint what I want. I don't have to -- I don't have to do, you know, follow what Wall Street is telling me to do next quarter or something like that. So I own the brush, I own the canvas, and the canvas is unlimited. And that's -- it's a pretty nice game and I get to do it every day with people I like. I don't have to -- I don't have to associate with anyone that causes my stomach to churn. If I were in politics, I would have to smile at a lot of people that I want to hit, you know.

CHARLIE ROSE: So don't talk to them.

WARREN BUFFETT: It's really -- I've got a good deal. I'm hanging on to it.
(LAUGHTER)

CHARLIE ROSE: I often repeat this story, Brook Ashton once said to me, I spent too much of my life worrying what people thought of me, and then I only care about what I think of them.

(LAUGHTER)

CHARLIE ROSE: I only want to see people that I like.

WARREN BUFFETT: Yes, and my business -- I'm lucky that way. I mean, business is so much easier than philanthropy. Philanthropy may be a whole lot more important, but in business you're looking for kind of easy choices, you're looking for people that you can -- that you like to associate with. I mean, to an extent, I can create a world around me.

CHARLIE ROSE: Are you saying to me that if somebody walked in your door and they offer -- they wanted you to buy their company, and you saw it as a golden...

WARREN BUFFETT: Golden goose with a farmer I didn't like.

CHARLIE ROSE: Yeah.

(LAUGHTER)

WARREN BUFFETT: I would say no.

CHARLIE ROSE: You would say no. Even though you knew it would...

WARREN BUFFETT: Charlie, marrying for money is probably a bad idea under any circumstances, but if you're already rich, it doesn't make any sense at all.

(LAUGHTER)

CHARLIE ROSE: But the satisfaction -- I mean what's the metric of satisfaction?

WARREN BUFFETT: It's doing a decent job of running a place that gets harder to do because of size over time but it's -- it's working with a whole lot of people on interesting -- it's like Gene McCarthy said I think about being a football coach, and I mean it's just difficult enough to make it interesting but it really isn't that hard.

(LAUGHTER)

CHARLIE ROSE: McCarthy said that?

WARREN BUFFETT: Yes. Well, he had a way of getting people irritated sometimes.

CHARLIE ROSE: What brings you the greatest satisfaction, Bill?

BILL GATES: I think learning things and making breakthroughs. You know, after all the great family stuff that is a lot of fun. Every once in a while, if something really makes sense and you can teach people about it, share an insight, I think that's also very satisfying.

You know, when I sit down with Melinda to write the annual letter, the idea of, OK, I've had a chance to see things, what could I share that is really succinct that might be helpful to people?

That is fun. It's hard. You know, it doesn't happen all the time, but between my learning and being able to share where I see, oh, this is really simpler than I thought it was, that gives me great satisfaction.

WARREN BUFFETT: I would say this, too, Charlie. Now at 86, I mean I -- I've seen a lot of people who've gotten older. And I've never seen anybody that 70 or pick an age who felt good about their children that felt bad about their life and all my experience, I mean...

CHARLIE ROSE: You never have seen anybody who felt good about their children that also felt bad about their life?

WARREN BUFFETT: Yes.

CHARLIE ROSE: Yeah.

WARREN BUFFETT: And I've seen plenty of people with lots of money where it hasn't worked out well in the family.

CHARLIE ROSE: Who didn't feel good about their children?

WARREN BUFFETT: Or the children didn't feel good about them, whichever way, I mean -- but they failed at the most important teaching job they had and personal relationship, and sometimes it happens for extraneous reasons, but I really have never met anybody, regardless of their economic circumstances, who felt their life was a failure...

CHARLIE ROSE: If their children have become...

WARREN BUFFETT: If they love their children...

(CROSSTALK)

CHARLIE ROSE: And their children were doing...

WARREN BUFFETT: Absolutely. They felt good about what they -- you know, they brought them into the world.

(CROSSTALK)

CHARLIE ROSE: And they felt like they had put themselves for the future.

WARREN BUFFETT: Yeah. I – I knew one fellow who was extraordinarily rich. He put a lot of money in his kids' names. He didn't want them to have any control over it. Once a year, he would have dinner with them and try, and get them to sign their income tax return at blank. Now just imagine that.

You know, with this guys has four kids, none of them, he wanted to have enough confidence in them or to have – it's just crazy. I mean, he would woo them during those dinners, they knew exactly what was going on once a year, and then – you know and the he bribe them sort it to sign their income tax return at blank, so he could file it and they wouldn't know what they have.

I mean, when you have adults – I've seen just time after time when people who have been successful – I've seen plenty of the other, too but successes at business and failure – and I don't think they feel that good about life.

CHARLIE ROSE: Thank you for coming, great to see you. Bill, thank you very much. Bill Gates and Warren Buffett for the hour. Thank you for joining us. See you next time.

(END VIDEOTAPE)

CHARLIE ROSE: For more about this program and earlier episodes, visit us online at pbs.org and charlierose.com.
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