



Tap Dancing to Work

WARREN BUFFETT

ON PRACTICALLY EVERYTHING, 1966–2012

A FORTUNE Magazine Book

Collected and Expanded by **CAROL J. LOOMIS**



**Warren Buffett built Berkshire Hathaway
into something remarkable—
and *Fortune* journalist Carol Loomis
had a front-row seat for it all**

When Carol Loomis first mentioned a little-known Omaha hedge fund manager in a 1966 *Fortune* article, she didn't dream that Warren Buffett would one day be considered the world's greatest investor—nor that she and Buffett would quickly become close personal friends. As Buffett's fortune and reputation grew over time, Loomis used her unique insight into Buffett's thinking to chronicle his work for *Fortune*, writing and proposing scores of stories that tracked his many accomplishments—and also his occasional mistakes.

Now Loomis has collected and updated the best Buffett articles *Fortune* published between 1966 and 2012, including thirteen cover stories and a dozen pieces authored by Buffett himself. Loomis has provided commentary about each major article that supplies context and her own informed point of view. Readers will gain fresh insights into Buffett's investment strategies and his thinking on management, philanthropy, public policy, and even parenting. Some of the highlights include:

- The 1966 A. W. Jones story in which *Fortune* first mentioned Buffett.
- The first piece Buffett wrote for the magazine, 1977's "How Inflation Swindles the Equity Investor."

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CAROL LOOMIS



PUSTAKA PERDANA



1011400

Portfolio / Penguin



PORTFOLIO / PENGUIN

Published by the Penguin Group

Penguin Group (USA) Inc., 375 Hudson Street,

New York, New York 10014, U.S.A.

Penguin Group (Canada), 90 Eglinton Avenue East, Suite 700,

Toronto, Ontario, Canada M4P 2Y3

(a division of Pearson Penguin Canada Inc.)

Penguin Books Ltd, 80 Strand, London WC2R 0RL, England

Penguin Ireland, 25 St. Stephen's Green, Dublin 2, Ireland

(a division of Penguin Books Ltd)

Penguin Group (Australia), 707 Collins Street, Melbourne, Victoria 3008

Australia

(a division of Pearson Australia Group Pty Ltd)

Penguin Books India Pvt Ltd, 11 Community Centre, Panchsheel Park,

New Delhi—110 017, India

Penguin Group (NZ), 67 Apollo Drive, Rosedale, Auckland 0632,

New Zealand (a division of Pearson New Zealand Ltd)

Penguin Books, Rosebank Office Park, 181 Jan Smuts Avenue, Parktown North 2193, South Africa

Penguin China, B7 Jaiming Center, 27 East Third Ring Road North, Chaoyang District, Beijing

100020, China

Penguin Books Ltd, Registered Offices:

80 Strand, London WC2R 0RL, England

First published in 2012 by Portfolio / Penguin, a member of Penguin Group (USA) Inc.

10 9 8 7 6 5 4 3

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All of the articles (and excerpts from articles) in this book were published in *Fortune* magazine in the years 1966 through 2012.

"Gates on Buffett" (originally titled "What I Learned from Warren Buffett") by Bill Gates.

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"Letters from Chairman Buffett" by Andrew Tobias. Originally published in *Fortune* magazine, issue of August 22, 1983. Reprinted by permission of the author.

Library of Congress Cataloging-in-Publication Data

Tap dancing to work : Warren Buffett on practically everything, 1966–2012 : a *Fortune* magazine book / collected and expanded by Carol Loomis.

p. cm.

Includes index.

ISBN 978-1-59184-573-7

I. Buffett, Warren. 2. Capitalists and financiers—United States. 3. Investments. I. Loomis, Carol.

II. Buffett, Warren III. Fortune.

HG172.B84T37 2012

332.6092—dc23

2012036878

Printed in the United States of America

Set in Minion Pro

Designed by Elyse Strongin, Neuwirth & Associates, Inc.

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To my family:
John R.;
Barbara, Tom, John T., and Grayson;
Mark, Steffi, Jenny, and Ben . . .
and
To that often intrusive, but
consistently interesting, part of my
life for nearly fifty-nine years, *Fortune*.

CONTENTS

Preface	xv
The Jones Nobody Keeps Up With— <i>April 1966</i> By Carol Loomis	1
From “Hard Times Come to the Hedge Funds”— <i>January 1970</i> An excerpt from an article by Carol Loomis	7
How Inflation Swindles the Equity Investor— <i>May 1977</i> By Warren Buffett	9
A Small College Scores Big in the Investment Game — <i>December 18, 1978</i> By Lee Smith	23
Berkshire's Shareholder Contributions	28
Shareholders Get to Vote on Charity— <i>November 30, 1981</i> By Lee Smith	29
Berkshire Gives Up on Giving— <i>August 11, 2003</i> By Nicholas Varchaver	32
Letters from Chairman Buffett— <i>August 22, 1983</i> By Andrew Tobias	34
From “Can You Beat the Stock Market?”— <i>December 26, 1983</i> An excerpt and a sidebar from an article by Daniel Seligman	40

Buffett and Capital Cities/ABC	43
Excerpts from articles by: Stratford Sherman, Peter Petre, Bill Saporito, and Carol Loomis	43
From “Beating the Market by Buying Back Stock”— <i>April 29, 1985</i> An excerpt from an article by Carol Loomis	47
Guess Who’s Bought Whoops Bonds— <i>April 29, 1985</i> By Kenneth Labich	49
From “Now Hear This”— <i>April 28, 1986</i>	53
From “Should You Leave It All to the Children?”—September 29, 1986 Excerpts from an article by Richard I. Kirkland Jr.	54
Dial B-U-F-F-E-T-T for Merger— <i>December 22, 1986</i> From Newstrends Section	57
Early Fears about Index Futures— <i>December 7, 1987</i> A warning letter sent by Warren Buffett to Congressman John Dingell Jr.	58
The Inside Story of Warren Buffett— <i>April 11, 1988</i> By Carol Loomis	62
 Buffett and Salomon	 76
The Wisdom of Salomon?— <i>April 11, 1988</i> By Carol Loomis	77
Warren Buffett’s Wild Ride at Salomon— <i>October 27, 1997</i> By Carol Loomis	78
From “Now Hear This”— <i>January 10, 1994</i> Buffett’s wry comment 2½ years after the Salomon crisis broke	90
Nebraska Special— <i>September 26, 1988</i> By Terence Paré	91
A Warm Tip from Warren Buffett: It’s Time to Buy Freddie Macs — <i>December 19, 1988</i> By Brett Duval Fromson	92
 What Happened at the Bridge Table	 95
A Very Full Deck— <i>June 5, 1989</i> By Julia Lieblich	95

Raising Cayne— <i>January 15, 1990</i> By Alan Deutschman	95
From “How to Live with a Billion”— <i>September 11, 1989</i> Excerpts from an article by Alan Farnham	97
From “Now Hear This”— <i>October 23, 1989</i>	98
New Warren Buffetts? And the Old One	99
From “Are These the New Warren Buffetts?”— <i>October 30, 1989</i> An excerpt from an article by Brett Duval Fromson	100
And Now a Look at the Old One— <i>October 30, 1989</i> By Brett Duval Fromson	101
How I Goofed— <i>April 9, 1990</i> An excerpt from Buffett’s letter to shareholders in the 1989 Berkshire Hathaway annual report	103
From “The Children of the Rich and Famous”— <i>September 10, 1990</i> Excerpts from an article by Alan Farnham	107
The Midas Touch at a Discount— <i>November 5, 1990</i> By Edmund Faltermayer	109
Buffett Buys Junk— <i>April 22, 1991</i> By Jennifer Reese	111
From “Now Hear This”— <i>April 5, 1993</i>	112
Buffett and Coca-Cola	113
Excerpts from articles by: John Huey, Betsy Morris and Pattie Sellers, and Carol Loomis	113
How Buffett Views Risk— <i>April 4, 1994</i> An excerpt from Buffett’s letter to shareholders in the 1993 Berkshire Hathaway annual report	116
Buffett Hits \$200 Million Dwindraft— <i>November 17, 1994</i> By Colin Leinster	117
Buffett and Gates	119
The Billionaire Buddies— <i>January 16, 1995</i> By Brent Schlender	120

Gates on Buffett— <i>February 5, 1996</i> By Bill Gates	121
From “Untangling the Derivatives Mess”— <i>March 20, 1995</i> An excerpt from an article by Carol Loomis	126
Two Items from “Now Hear This”— <i>April 3, 1995 and May 29, 1995</i>	127
From “Why Warren Buffett’s Betting Big on American Express” — <i>October 30, 1995</i> Excerpts and a sidebar from an article by Linda Grant	128
Gift That Gives—A Bit O’ Buffett— <i>March 18, 1996</i> By Bethany McLean	132
The Bill and Warren Show— <i>July 20, 1998</i> Edited by Brent Schlender	133
A House Built on Sand— <i>October 26, 1998</i> By Carol Loomis	152
Are Jimmy and Warren Buffett Related?— <i>June 21, 1999</i> By Tyler Maroney	162
Put Bite into Audit Committees— <i>August 2, 1999</i> By Carol Loomis	164
Mr. Buffett on the Stock Market— <i>November 22, 1999</i> A Buffett speech that Carol Loomis converted into an article	166
Warren Buffett: Revivalist— <i>May 19, 2000</i> By Amy Kover	176
Warren Buffett Invests in the First Lady— <i>October 20, 2000</i> By Jeffrey Birnbaum	178
Admired—Again and Again	180
The Value Machine— <i>February 19, 2001</i> By Carol Loomis	181
A Letter from <i>Fortune</i> ’s Letters Column— <i>March 26, 2001</i>	190
Warren Buffett on the Stock Market— <i>December 10, 2001</i> A Buffett speech that Carol Loomis converted into an article	191
The Mash Note Everybody Wants— <i>September 16, 2002</i> A Sidebar by Jerry Useem	20.

The Oracle of Everything— <i>November 11, 2002</i> By Andy Serwer	204
A Letter from <i>Fortune's</i> Letters Column— <i>February 17, 2003</i>	215
Avoiding a “Mega-Catastrophe”— <i>March 17, 2003</i> An excerpt from Buffett’s letter to shareholders in the 2002 Berkshire Hathaway annual report	216
Where We’re Putting Our Money Now— <i>March 17, 2003</i> A second excerpt from Buffett’s letter to shareholders in the 2002 annual report	221
The Sage Goes to Asia— <i>May 26, 2003</i> By Clay Chandler	222
The Power Issue	224
From “The 25 Most Powerful People in Business”— <i>August 11, 2003</i> Excerpts from an article by Jerry Useem	224
The Most Powerful Businessperson: Warren Buffett— <i>August 11, 2003</i> By Andy Serwer	225
America’s Growing Trade Deficit Is Selling the Nation Out from Under Us. Here’s a Way to Fix the Problem—And We Need to Do It Now. — <i>November 10, 2003</i> By Warren Buffett, working with Carol Loomis	227
Why Foreigners Can’t Ditch Their Dollars— <i>November 10, 2003</i> A Sidebar by Warren Buffett with Carol Loomis	235
The Market According to Buffett— <i>May 17, 2004</i> By David Stires	236
The Best Advice I Ever Got— <i>March 11, 2005</i> A Warren Buffett recollection, edited by Carol Loomis	237
The \$91 Billion Conversation— <i>October 31, 2005</i> By Daniel Roth	239
Cut Your Gains!— <i>March 20, 2006</i> An excerpt from Buffett’s letter to shareholders in the 2005 Berkshire Hathaway annual report	247
Buffett’s Alter Ego— <i>May 29, 2006</i> By Andy Serwer	251
Buffett Backs GM—And Buys a Caddy— <i>May 29, 2006</i> By Alex Taylor III	254

The Philanthropist Emerges	255
Warren Buffett Gives It Away— <i>July 10, 2006</i> By Carol Loomis	256
How Buffett's Giveaway Will Work— <i>July 10, 2006</i> By Carol Loomis	264
Would You Like That \$11 Billion in Twenties?— <i>July 24, 2006</i> By Carol Loomis	67
Buffett to Gates: Spend It!— <i>March 19, 2007</i> By Jia Lynn Yang	268
Marking to Myth— <i>September 3, 2007</i> By Warren Buffett	270
The Oracle's Credit Crisis— <i>March 31, 2008</i> By Telis Demos	271
What Warren Thinks . . . — <i>April 28, 2008</i> By Nicholas Varchaver	272
Buffett's Big Bet— <i>June 23, 2008</i> By Carol Loomis	279
From "What Obama Means for Business"— <i>July 2, 2008</i> An excerpt from an article by Nina Easton	285
Buffett's Market Metric Says Buy— <i>February 16, 2009</i> By Carol Loomis and Doris Burke	286
From "Riders on the Storm"— <i>April 20, 2009</i> An excerpt from an article by Adam Lashinsky	288
Buffett Takes Charge— <i>April 27, 2009</i> By Marc Gunther	289
From "Who the Admired Admire"— <i>March 22, 2010</i> An excerpt from an article by Anna Bernasek	296
Buffett's Mr. Fix-It— <i>August 16, 2010</i> By Brian Dumaine	297
The Giving Pledge	305
The \$600 Billion Challenge— <i>July 5, 2010</i> By Carol Loomis	306
My Philanthropic Pledge— <i>July 5, 2010</i> By Warren Buffett	314

A New Buffett Takes Beijing— <i>October 17, 2011</i> By Bill Powell	316
A Nation Grapples with Charity— <i>October 17, 2011</i> A Sidebar by Bill Powell	320
Why Stocks Beat Gold and Bonds— <i>February 27, 2012</i> An excerpt from Buffett's letter to shareholders in the 2011 Berkshire Hathaway annual report	321
Final Note from the Editor	327
Acknowledgments	329
Index	333

PREFACE

Because I have long been the chief writer about Warren Buffett at *Fortune*, which for decades has covered him more closely than any other business publication, I have often been asked whether I'm not going to branch out and write a Buffett biography. I have always said no, sure beyond a doubt that a writer who is a good friend of the subject does not make a good biographer. And I have indeed been a close friend of Warren's for more than forty years, a shareholder in his company, Berkshire Hathaway, for almost that long, and the pro bono editor of his annual letter to shareholders for thirty-five. All of those facts can be accommodated in my *Fortune* articles about Buffett, simply by my informing the reader that they exist. But they are not a firm base for a wide-ranging personal and professional biography, in which there should be considerable distance between writer and subject. Its absence in this case settled the question.

But then it dawned on me that the scores of Buffett articles we have published in *Fortune* are in themselves a *business* biography—and a perfect one for a book. Here you have it: *Tap Dancing to Work*, the description that Buffett has long applied to his love for running Berkshire. This book is a collection, arranged chronologically for the most part, of all our big articles about Warren (plus some shorter, lighter ones like “Are Jimmy and Warren Buffett Related?”). For each of the big stories I've written an introduction or commentary—about forty of them in total. These paragraphs explain, for example, what's particularly important about the story, what Warren forecast that did or didn't come true, what he thinks today about the story's main point. Overall, the book's material covers a large chunk of history—forty-six years—an important span of time not only for Buffett but for the U.S. economy in which he has so successfully operated. (“Hmm, forty-six years,” Buffett would be inclined to say. “That's a long time—almost one-fifth of the years the U.S. has existed.”)

The articles and excerpts in this book were for the most part written by me and about forty other *Fortune* journalists (including three, John Huey, Rik Kirkland, and Andy Serwer, who rose to managing editor, with John subsequently

moving still higher to the post of Time Inc.'s editor-in-chief). But the authors also include Buffett himself, who wrote two important stories expressly for us and inserted think-piece sections into his annual letters that we lifted out and made into stories. Also represented is that well-known business writer Bill Gates.

In content as well as authors, this book is enormously diverse. We had the good sense along the way not to repeat ourselves too much, and when we did, I normally edited out the repetition. Actually, not repeating ourselves was pretty easy, because Warren kept doing new things.

When you finish this book, you will have seen the arc of Warren's business life. The first story in which we ever mentioned him was in 1966. He got one sentence then in an investing piece I wrote about another man (Alfred Winslow Jones) and in which I misspelled Buffett—giving it only *one t*. I will try, however weakly, to pardon myself for that by saying that outside Omaha (where a few investors knew Warren well because he was making them rich) he was in 1966 pretty much unknown. Jump to the early 1980s, and he hadn't gained much ground. When *Fortune* hired freelancer Andrew Tobias in 1983 to write a piece about Buffett's shareholder letters (see page 34), Tobias had never heard of this fellow. That means, alas, that Tobias had missed the big story about inflation that Warren wrote for us in 1977 (see page 9) and about which he still gets mail.

The middle part of the book, starting with my 1988 profile, "The Inside Story of Warren Buffett," describes his adding a second profession, business management, to his old one of investor—and next, of course, he made Berkshire Hathaway a huge force in corporate America. Few people recognize the insignificance from which that company has come. In 1965, when Warren took it over, Berkshire was a New England textile manufacturer far too small to have made the *Fortune* 500 list. For 2011, in contrast, it was No. 7 on the 500. That rank is for revenues, which is the 500's primary criterion. In market value, a higher accomplishment in Buffett's thinking, Berkshire was No. 9.

And all that has happened in one man's lifetime, which of course is not over.

The final years covered by the book complete the arc, so to speak, by taking Warren beyond investing and business to philanthropy. This step did not require him to invent a philosophy. He has never believed in large inheritances (see page 54) and almost all of his money has always been slated to go to philanthropy. But he had always assumed that his wife, Susie—two years younger—would outlive him and be the one who gave away his money. Susie then died of a stroke in 2004, and the philanthropy yoke settled back, none too lightly, on Warren. Thus came his announcement in 2006 that he would start to give away his money immediately, and his 2010 move, with Bill and Melinda Gates, to create the Giving Pledge. *Fortune* broke the news in each instance, in cover stories that appear toward the end of this book.

You can take the man out of investing, but you cannot take investing out of *this* man, for sure. The final story in this book, adapted from Warren's letter in the 2011 annual report, explains the three types of investments and the one he

prefers. There won't be any great surprise in his choice, but a new dose of Buffett investment advice as you finish the book can't be all bad.

For me, compiling this book has been a trek through my own career at *Fortune* (1954–still happening) and through endless warnings as well to put two *t*'s on Buffett. More significantly, it has been an extended and rewarding reminder of Buffett's investment and business genius, creativeness, and—not the least of these—consistency of thought.

A friend of well-known writer William Buckley made a statement about him that I will adapt here. *Fortune* and I were lucky to be standing alongside Warren Buffett as he was becoming Warren Buffett.

Tap Dancing to Work

The Jones Nobody Keeps Up With

April 1966

BY CAROL LOOMIS

It may be odd to start a book about one man—Warren Buffett—with an article about another—Alfred Winslow Jones. But this 1966 piece about Jones deserves the lead-off position. To begin with, this is the first time that Fortune mentioned the name Buffett, except that we embarrassingly spelled it “Buffet,” with only one t. I made that mistake: yours truly, Carol Loomis, the editor of this book and the author of many of the articles in it, including this one. Later my husband, John Loomis, then an institutional securities salesman, met Buffett, who shortly after called me up to kid me a bit about the misspelling. Further on, he and his wife, Susie, asked John and me to have lunch in New York, and they and we began a friendship that in time, you might say, led to this book.

A second point about the article is that it rather famously introduced A. W. Jones and his concept of a “hedged” fund to the world. Not that Jones was the first Wall Streeter to establish such a fund: Benjamin Graham, for one, had earlier run a partnership that used hedging strategies. But Jones’s rocketing success was a revelation to most Fortune readers, and this article took on a life of its own, becoming an unofficial prospectus for many people who hastened to start “Jones-type” funds of their own. Histories of the hedge fund industry almost always refer to this article as a milestone in that world’s development.

Close readers of the article may note the tentativeness of the first sentence: “There are reasons to believe . . .” is hardly a ringing declaration. The explanation, of course, is that though I had the record of private investor A. W. Jones & Co. and had discovered none better, my knowledge of how other private investors were doing was certainly not complete.

Had the record of Omaha’s Buffett Partnership Ltd. then been in our hands, a matchup of Buffett and Jones would have been interesting but hardly conclusive. We had a ten-year record for A. W. Jones & Co., but Buffett Partnership kept its books on the calendar year and had only nine of those behind it. As for five years, Jones ended his 1965 fiscal year in May and for the period made 325 percent. Buffett’s 1965 year ended in December, and he made 334 percent.

But all that was history and the paths of the two men soon diverged: As the next article discusses, Buffett closed down his partnership while Jones stayed on to struggle with a stock market grown—for the moment—very difficult for hedge funds. —CL

There are reasons to believe that the best professional manager of investors’ money these days is a quiet-spoken, seldom photographed man named Alfred Winslow Jones. Few businessmen have heard of him, although some with long memories may remember his articles in *Fortune*; he was a staff writer in the early 1940s. In any case, his performance in the stock market in recent years



Playing bridge with Carol Loomis in 1988, Warren Buffett displays what he calls “the strongest part of my game.”

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—Carol J. Loomis, from the preface

