



With Carl Limbacher and NewsMax.com Staff

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Warren Buffett Warns of Trade Deficit

The U.S. trade deficit is a bigger threat to the domestic economy than either the federal budget deficit or consumer debt and could lead to "political turmoil," billionaire investor Warren Buffett warned.

"Right now, the rest of the world owns \$3 trillion more of us than we own of them," Buffett told business students and faculty Tuesday at the University of Nevada, Reno. "In my view, it will create political turmoil at some point. ... Pretty soon, I think there will be a big adjustment," he said without elaborating.

Buffett, head of Omaha, Neb.-based Berkshire Hathaway Inc., was in Reno for the opening of the company's R.C. Willey Home Furnishings store.

He spoke the same day Berkshire Hathaway disclosed its purchase of Business Wire, a privately held distributor of press releases, for an undisclosed amount.

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San Francisco-based Business Wire will operate as a wholly owned subsidiary of Berkshire Hathaway, whose other holdings include the insurer Geico Corp. as well as stakes in American Express Co., Anheuser-Busch Cos. and The Coca-Cola Co. Business Wire competes with PR Newswire to distribute company regulatory filings and press releases to investors and the news media.



The U.S. trade deficit soared to a record \$665.9 billion in 2004, and Buffett said he expects it to top \$700 billion this year.

"That's \$2 billion a day. We are like a super rich family that owns a farm the size of Texas. You sell off a little bit of the farm and you don't see it," he said.

Fifteen years ago, the U.S. had no trade deficit with China, he said.

"Now it's \$200 billion. If we don't change the course, the rest of the world could own \$15 trillion of us. That's pretty substantial. That's equal to the value of all American stock," Buffett said.



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"That's the big danger. Our national debt does not bother me. Our public debt is not at a crazy level," he said.



Meanwhile, Buffett said U.S. companies generally are enjoying some of their best times ever.

"Profits are at close to record levels. So business in America is doing very well - better than its lower-paid workers, by some margin," he said.



"This is a pro-business United States. If you get a group of businessmen together they'll complain about regulation and liability suits, all kinds of things. Some of those things they are right about and some of it they are just complaining to complain," he said.

U.S. corporations seem to be acting more ethically in the wake of scandals at Enron and elsewhere, but that's primarily due to bad publicity rather than new federal checks and balances, he said.

"I think corporate American to a fair degree has cleaned up its act," he said. "The press has probably contributed very significantly to that. I think managers are behaving better because of fear rather than just becoming better managers."

Buffett said students will have to decide personally whether a master's in business administration will benefit their careers or if they'd be better off plunging into the real world.

"The one piece of advice I can give you is, do what turns you on," he said. "Do something that if you had all the money in the world, you'd still be doing it. You've got to have a reason to

jump out of bed in the morning."

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