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How do you contemplate the current stock market, we asked Warren Buffett, the sage of Omaha, Nebr. "Like an oversexed guy in a harem," he shot back. "This is the time to start investing."

The Dow was below 600 when he said that. Before we could get Buffett's words in print, it was up almost 15% in one of the fastest rallies ever.

We called him back and asked if he found the market as sexy at 660 as he did at 580. "I don't know what the averages are going to do next," he replied, "but there are still plenty of bargains around." He remarked that the situation reminded him of the early Fifties.

Warren Buffett doesn't talk much, but when he does he's well worth listening to. His sense of timing has been remarkable. Five years ago, late in 1969, when he was 39, he called it quits on the market. He liquidated his money management pool, Buffett Partnership, Ltd., and gave his clients their money back. Before that, in good years and bad, he had been beating the averages, making the partnership grow at a compounded annual rate of 30% before fees between 1957 and 1969. (That works out to a $10,000 investment growing to $300,000 and change.) He quit essentially because he found the game no longer worth playing. Multiples on good stocks were sky-high, the go-go boys were "performing" and the list was so picked over that the land of solid bargains that Buffett likes were not to be had. He told his clients that they might do better in tax-exempt bonds than in playing the market. "When I got started," he says, "the bargains were flowing like the Johnstown flood; by 1969 it was like a leaky toilet in Altoona." Pretty cagey, this Buffett. When all the sharp M.B.A.s were crowding into the investment business, Buffett was quietly walking away.

Buffett settled back to manage the business interests he had acquired, including Diversified Retailing, a chain of women's apparel stores; Blue Chip Stamps, a western states trading stamp operation; and Berkshire Hathaway, a diversified banking and insurance company that owned, among other things, a weekly newspaper, *The Omaha Sun*. The busi-

The Money Men

LOOK AT ALL THOSE BEAUTIFUL, SCANTILY CLAD WOMEN OUT THERE!

nesses did well. Under Buffett's management the *Sun* won a Pulitzer Prize for its expose of how Boys Town, despite pleas of poverty, had been turned into a "moneymaking machine."

SWING, YOU BUM!

Buffett is like the legendary guy who sold his stocks in 1928 and went fishing until 1933. That guy probably didn't exist. The stock market is habit-forming: You can always persuade yourself that there are bargains around. Even in 1929. Or 1970. But Buffett did kick the habit. He did "go fishing" from 1969 to 1974. If he had stuck around, he concedes, he would have had mediocre results. "I call investing the greatest business in the world," he says, "because you never have to swing. You stand at the plate, the pitcher throws you General Motors at 47! U.S. Steel at 39! and nobody calls a strike on you. There's no penalty except opportunity lost. All day you wait for the pitch you like; then when the fielders are asleep, you step up and hit it."

But pity the pros at the investment institutions. They're the victims of impossible "performance" measurements. Says Buffett, continuing his baseball imagery, "It's like Babe Ruth at bat with 50,000 fans and the club owner yelling, 'Swing, you bum!' and some guy is trying to pitch him an intentional walk. They know if they don't take a swing at the next pitch, the guy will say, "Turn in your uniform." Buffett claims he set up his partnership to avoid these pressures.

Stay dispassionate and be patient, is Buffett's message. "You're dealing with a lot of silly people in the marketplace; it's like a great big casino and everyone else is boozing. If you can stick with Pepsi, you should be okay." First the crowd is boozy on optimism and buying every new issue in sight. The next moment it is boozy on pessimism, buying gold bars and predicting another Great Depression.

Fine, we said, if you're so bullish, what are you buying? His answer: "I don't want to tout my own stocks."

Any general suggestions, we asked? Just commonsense ones. Buy stocks that sell at ridiculously low prices. Low by what standards? By the conventional ones of net worth, book value, the value of the business as a going concern. Above all, stick with what you know; don't get too fancy. "Draw a circle around the business you understand and then eliminate those that fail to qualify on basis of value, good management and limited exposure to hard times." No high technology. No multicompanies. "I don't understand them," says Buffett. "Buy into a company because you want to own it, not because you want the stock to go up.

"A water company is pretty simple," he says, adding that Blue Chip Stamps has a 5% interest in the San Jose Water Works. "So is a newspaper. Or a major retailer." He'll even buy a Street favorite if he isn't paying a big premium for things that haven't happened yet. He mentions Polaroid. "At some price you don't pay anything for the future, and you even discount the present. Then, if Dr. Land has some surprises up his sleeve, you get them for nothing."

Have faith in your own judgment, your adviser's judgment, Buffett advises. Don't be swayed by every opinion you hear and every suggestion you read. Buffett recalls a favorite saying of Professor Benjamin Graham, the father of modern security analysis and Buffett's teacher at Columbia Business School: "You are neither right nor wrong because people agree with you." Another way of saying that wisdom, truth, lie elsewhere than in the moment's moods.

What good, though, is a bargain if the market never recognizes it as a bargain? What if the stock market never comes back? Buffett replies: "When I worked for Graham-Newman, I asked Ben Graham, who then was my boss, about that. He just shrugged and replied that the market always eventually does. He was right—in the short run it's a voting machine, in the long run it's a weighing machine. Today on Wall Street they say, 'Yes, it's cheap, but it's not going to go up.' That's silly. People have been successful investors because they've stuck with successful companies. Sooner or later the market mirrors the business." Such classic advice is likely to remain sound in the future when they write musical comedies about the go-go boys.

We reminded Buffett of the old play on the Kipling lines: "If you can keep your head when all about you are losing theirs . . . maybe they know something you don't."

Buffett responded that, yes, he was well aware that the world is in a mess. "What the De Beers did with diamonds, the Arabs are doing with oil; the trouble is we need oil more than diamonds." And there is the population explosion, resource scarcity, nuclear proliferation. But, he went on, you can't invest in the anticipation of calamity; gold coins and art collections can't protect you against Doomsday. If the world really is burning up, "you might as well be like Nero and say, 'It's only burning on the south side.'

"Look, I can't construct a disaster-proof portfolio. But if you're only worried about corporate profits, panic or depression, these things don't bother me at these prices." Buffett's final word: "Now is the time to invest and get rich." **F**

WHEN A MANAGER WITH A REPUTATION FOR BRILLIANCE TACKLES A BUSINESS WITH A REPUTATION FOR BAD ECONOMICS, THE REPUTATION OF THE BUSINESS REMAINS INTACT.