

Warren Buffett



Warren Edward Buffett (pronounced /ˈbʌfɪt/; born August 30, 1930) is an American business magnate, investor, and philanthropist. He is widely regarded as one of the most successful investors in the world. Often introduced as "legendary investor, Warren Buffett", he is the primary shareholder, chairman and CEO of Berkshire Hathaway. He is consistently ranked among the world's wealthiest people. He was ranked as the world's wealthiest person in 2008 and is the third wealthiest person in the world as of 2011.

Buffett is called the "Wizard of Omaha", "Oracle of Omaha", or the "Sage of Omaha" and is noted for his adherence to the value investing philosophy and for his personal frugality despite his immense wealth. Buffett is also a notable philanthropist, having pledged to give away 99 percent of his fortune to philanthropic causes, primarily via the Gates Foundation.

* Early life

Buffett was born in 1930 in Omaha, Nebraska, the second of three children and only son of U.S. Representative Howard Buffett, a fierce critic of the interventionist New Deal domestic and foreign policy, and his wife Leila (née Stahl). Buffett began his education at Rose Hill Elementary School in Omaha. In 1942, his father was elected to the first of four terms in the United States Congress, and after moving with his family to Washington, D.C., Warren finished elementary school, attended Alice Deal Junior High School, and graduated from Woodrow Wilson High School in 1947, where his senior yearbook picture reads: "likes math; a future stock broker."

Even as a child, Buffett displayed an interest in making and saving money. He went door to door selling chewing gum, Coca-Cola, or weekly magazines. For a while, he worked in his grandfather's grocery store. While still in high school he was successful in making money by delivering newspapers, selling golfballs and stamps, and detailing cars, among other means. Filing his first income tax return in 1944, Buffett took a \$35 deduction for the use of his bicycle and watch on his paper route. In 1945, in his sophomore year of high school, Buffett and a friend

spent \$25 to purchase a used pinball machine, which they placed in the local barber shop. Within months, they owned several machines in different barber shops.

Buffett's interest in the stock market and investing also dated to his childhood, to the days he spent in the customers' lounge of a regional stock brokerage near the office of his father's own brokerage company. On a trip to New York City at the age of ten, he made a point to visit the New York Stock Exchange. At the age of 11, he bought three shares of Cities Service Preferred for himself, and three for his sister. While in high school he invested in a business owned by his father and bought a farm worked by a tenant farmer. By the time he finished college, Buffett had accumulated more than \$90,000 in savings measured in 2009 dollars.

Buffett entered college as a freshmen in 1947 at the Wharton Business School of the University of Pennsylvania and studied there for two years from 1947 to 1949. In the year 1950, when he entered his junior year, he transferred to the University of Nebraska–Lincoln where at the age of nineteen, he graduated with a Bachelor of Science in business administration. After the completion of his undergraduate studies, Buffett enrolled at Columbia Business School after learning that Benjamin Graham (author of "The Intelligent Investor" – one of his favorite books on investing) and David Dodd, two well-known securities analysts, taught there. He earned a Master of Science in economics from Columbia in 1951. Buffett also attended the New York Institute of Finance. In Buffett's own words:

"I'm 15 percent Fisher and 85 percent Benjamin Graham.

The basic ideas of investing are to look at stocks as business, use the market's fluctuations to your advantage, and seek a margin of safety. That's what Ben Graham taught us. A hundred years from now they will still be the cornerstones of investing."

* Taxes – Buffett Rule

Buffett stated that he only paid 19% of his income for 2006 (\$48.1 million) in total federal taxes (due to their being from dividends & capital gains), while his employees paid 33% of theirs, despite making much less money. "How can this be fair?" Buffett asked, regarding how little he pays in taxes compared to his employees. "How can this



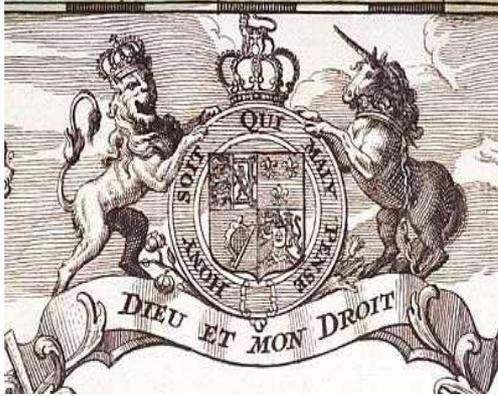
regarding how little he pays in taxes compared to his employees. "How can this

be right?" He also added:

"There's class warfare, all right, but it's my class, the rich class, that's making war, and we're winning."

Buffett favors the inheritance tax, saying that repealing it would be like "choosing the 2020 Olympic team by picking the eldest sons of the gold-medal winners in the 2000 Olympics". In 2007, Buffett testified before the Senate and urged them to preserve the estate tax so as to avoid a plutocracy. Some critics have argued that Buffett (through Berkshire Hathaway) has a personal interest in the continuation of the estate tax, since Berkshire Hathaway has benefited from the estate tax in past business dealings and had developed and marketed insurance policies to protect policy holders against future estate tax payments. Buffett believes government should not be in the business of gambling, or legalizing casinos, calling it a tax on ignorance.

노블레스 오블리쥬(Noblesse Oblige)



In French, "noblesse oblige" means, literally, "nobility obligates".

According to the Dictionnaire de l'Académie française defines it thus:

1. Whoever claims to be noble must conduct himself nobly.
2. (Figuratively) One must act in a fashion that conforms with one's position, and with the reputation that one has earned.

The Oxford English Dictionary says that the term "suggests noble ancestry constrains to honourable behavior; privilege entails to responsibility." Being a noble meant that you had responsibilities to lead, manage, etc. You were not to simply spend your time in idle pursuits.

* Meaning and variants

"Noblesse oblige" is generally used to imply that with wealth, power and prestige come responsibilities. The phrase is sometimes used derisively, in the sense of condescending or hypocritical social responsibility. In American English especially, the term has also been applied more broadly to those who are capable of simple acts to help another, usually one who is less fortunate.

In ethical discussion, it is sometimes used to summarize a moral economy wherein privilege must be balanced by duty towards those who lack such privilege or who cannot perform such duty. Finally, it has been used recently primarily to refer to public responsibilities of the rich, famous and powerful, notably to provide good examples of behaviour or to exceed minimal standards of decency.

Game Theory

Game theory is a theory of social interaction, which attempts to explain the interaction people have with one another. As the name of the theory suggests, game theory sees human interaction as just that: a game. John Nash, the mathematician who was featured in the movie A Beautiful Mind is one of the inventors of game theory along with mathematician John von Neumann.

Game theory was originally an economic and mathematical theory that predicted that human interaction had the characteristics of a game, including strategies, winners and losers, rewards and punishment, and profits and cost. It was initially developed to understand a large variety of economic behaviors, including behavior of firms, markets, and consumers. The use of the game theory has since expanded in the social sciences and has been applied to political, sociological, and psychological behaviors as well.

Game theory was first used to describe and model how human populations behave. Some scholars believe that they can actually predict how actual human populations will behave when confronted with situations analogous to the game being studied. This particular view of game theory has been criticized because the assumptions made by the game theorists are often violated. For example, they assume that players always act in a way to directly maximize their wins, when in reality this is not always true. Altruistic and philanthropic behavior would not fit this model.



* Example of Game Theory

We can use the interaction of asking someone out for a date as a simple example of game theory and how there are game-like aspects involved. If you are asking someone out on a date, you will probably have some kind of strategy to “win” (having the other person agree to go out with you) and “get rewarded” (have a good time) at a minimal “cost” to you (you don’t want to spend a large amount of money on the date or do not want to have an unpleasant interaction on the date).

* Elements of a Game

There are three main elements of a game:

- The players.
- The strategies of each player.
- The consequences (payoffs) for each player for every possible profile of strategy choices of all players.

* Types of Games

There are several different kinds of games that are studied using game theory:

- Zero-sum game : The players’ interests are in direct conflict with one another. For example, in football, one team wins and the other team loses. If a win equals +1 and a loss equals -1, the sum is zero.
- Non-zero sum game : The players’ interests are not always in direct conflict, so that there are opportunities for both to gain. For example, when both players choose “don’t confess” in Prisoner’s Dilemma (see below).
- Simultaneous move games : Players choose actions simultaneously. For example, in the Prisoner’s Dilemma (see below), each player must anticipate what their opponent is doing at that moment, recognizing that the opponent is doing the same.
- Sequential move games : Players choose their actions in a particular sequence. For example, in chess or in bargaining/negotiating situations, the player must look ahead in order to know what action to choose now.
- One-shot games : The play of the game occurs only once. Here, the players are likely to not know much about each other. For example, tipping a waiter

on your vacation.

- Repeated games : The play of the game is repeated with the same players.

* Prisoner's Dilemma

The prisoner's dilemma is one of the most popular games studied in game theory that has been portrayed in countless movies and crime television shows. The prisoner's dilemma shows why two individuals might not agree, even if it appears that it is best to agree. In this scenario, two partners in crime are separated into separate rooms at the police station and given a similar deal. If one testifies against his partner and the partner stays quiet, the betrayer goes free and the partner receives the full sentence (ex : ten years). If both remain silent, both are sentenced for a short time in jail (ex : one year) or for a minor charge. If each testifies against the other, each receives a moderate sentence (ex : three years). Each prisoner must choose to either betray or remain silent, and the decision of each is kept from the other.

The prisoner's dilemma can be applied to many other social situations, too, from political science to law to psychology to advertizing. Take, for example, the issue of women wearing make-up. Each day across America, several million woman-hours are devoted to an activity with questionable benefit for society. Foregoing makeup would free up fifteen to thirty minutes for each woman every morning. However, if no one wore makeup, there would be great temptation for any one woman to gain an advantage over others by breaking the norm and using mascara, blush, and concealer to hide imperfections and enhance her natural beauty. Once a critical mass wears makeup, the average facade of female beauty is artificially made greater. Not wearing makeup means foregoing the artificial enhancement to beauty. Your beauty relative to what is perceived as average would decrease. Most women therefore wear makeup and what we end up with is a situation that is not ideal for the whole or for the individuals, but is based on rational choices by each individual.

* Assumptions Game Theorists Make

- The payoffs are known and fixed.
- All players behave rationally.
- The rules of the game are common knowledge.