

Buffett warns Obama U.S. economy only halfway back



Warren E. Buffett, Chairman and Chief Executive Officer of Berkshire Hathaway, testifies before the Financial Crisis Inquiry Commission during a public hearing in New York, June 2, 2010. Credit: Reuters/Shannon Stapleton

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(Reuters) - President Barack Obama heard a sobering message from Warren Buffett when he asked for the investment guru's views about the economic recovery, according to an interview Obama gave NBC News on Thursday.

"I'll tell you exactly what Warren Buffett said. He said, 'We went through a wrenching recession. And so we have not fully recovered. We're about 40, 50 percent back. But we've still got a long way to go'," Obama told NBC during a visit to Holland, Michigan, to promote his job creation policies.

Obama chatted with Buffett in the Oval office on Wednesday as he sought ideas on how to translate higher U.S. growth into stronger hiring. This would help him deliver on an election year promise to tackle unemployment currently at 9.5 percent.

Buffett, who built an estimated \$47 billion fortune running his insurance and investment company Berkshire Hathaway Inc, warned Obama the recession created a huge overhang of excess capacity in the economy that would simply take time to mop up.

Obama said Buffett specifically used the example of the U.S. [housing market](#), noting 1.2 million new homes were built on average per year in the United States, according to historic trends. That number soared above 2 million during the property bubble, but construction activity has since collapsed.

"What Warren pointed out was, look, we're gonna get back to 1.2 (million). But right now we're soaking up a whole bunch of inventory. So a lot of -- the challenge is to work our way through this recession," Obama said.

High unemployment is another type of excess economic capacity. Obama's Democrats risk severe punishment by voters in midterm congressional elections on November 2 if he fails to convince them stronger U.S. growth means better times ahead.