



What makes Warren Buffett a 'prime example' of the failure of American capitalism?

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'The path to solving America's inequality crisis goes through Omaha'



Reuters

Berkshire Hathaway CEO Warren Buffett talks to reporters prior to the Berkshire annual meeting.

'Warren Buffett should not be celebrated as an avatar of American capitalism; he should be decried as a prime example of its failure, a false prophet leading the nation toward more monopoly and inequality.'

That hot take comes from David Dayen, ripped from a deep dive published on Thursday in the Nation headlined "[The dirty secret behind Warren Buffett's billions](#)." Not quite the fawning media coverage of the Berkshire Hathaway [BRK.B, +0.09%](#)

BRK.A, +0.64% boss you've probably come to expect.

After all, he's the Oracle. The folksy host of the "Woodstock for capitalists." Bill Gates's bridge-playing buddy. And, as Dayen points out, Obama and Clinton hailed his endorsements, while Bernie Sanders backed his take on taxes. Even Katy Perry **hangs with him** and talks about bitcoin **BTCUSD, +4.06%** .

"The press treats him like a Kardashian, publishing quirky features about his bad eating habits, frugal spending, and hobnobbing with celebrities," Dayen writes.

But there's a dark side to all this, according to Dayen.

The 'unfair advantages'

"[M]onopoly power and the unfair advantages it provides" is the driving force behind Buffett's massive fortune, in Dayen's view.

"Companies in Buffett's portfolio have extorted windfall profits, ripped off taxpayers, and abused customers," he says, adding that Buffett "makes no secret of his fondness for monopoly. He repeatedly highlights the key to his personal fortune: finding businesses surrounded by a monopoly moat, keeping competitors at bay."

Moat-wise, Buffett has said as much.

"If you've got the power to raise prices without losing business to a competitor, you've got a very good business," Buffett once said. "If you've got a good enough business, if you have a monopoly newspaper or if you have a network television station, your idiot nephew could run it."

And at a Berkshire Hathaway annual meeting back in 2000, he said that "we think in terms of that moat and the ability to keep its width and its impossibility of being crossed. We tell our managers we want the moat widened every year."

But that doesn't sit well with Dayen.

The 'road to oligarchy'

"America isn't supposed to allow moats, much less reward them," he writes in the piece. "Our economic system, we claim, is founded on free and fair competition. We have laws over a century old designed to break up concentrated industries, encouraging innovation and risk-taking. In other words, Buffett's investment strategy should not legally be available, to him or anyone else."

Dayen says, however, that the government has hasn't done nearly enough, beyond just Buffett, to curb the proliferation of the problem.

"The United States has not only failed to build bridges across monopoly moats; it has stocked those moats with alligators," he writes. "This consolidation has vastly inflated corporate profits, damaged workers and consumers, stunted economic growth, and supercharged economic inequality."

Buffett has played a key role in the trend, Dayen claims. "Buffett isn't following America on the road to oligarchy; he's leading it," he charges, before launching into examples of Buffett's "hunger for monopoly," such as VeriSign **VRSN, +0.76%** and his aggressive move into the airline sector.

'Getting serious about taming monopolies also means ceasing the endless praise of Warren Buffett.'

Dayen also writes about the hypocrisy of Buffett's pleas for tax fairness while he maintains a \$22 billion stake in Apple **AAPL, +0.32%** "perhaps America's most notorious corporate-tax evader." The iPhone maker is his third-biggest position, behind Wells Fargo **WFC, +0.52%** and Kraft Heinz **KHC, -1.38%** .

"Getting serious about taming monopolies also means ceasing the endless praise of Warren Buffett," Dayen concludes. "The path to solving America's inequality crisis goes through Omaha and the cuddly billionaire whose love of monopoly is contributing to national desperation."