Bi-weekly Random Bits from the Internet

2015-03-21

(WAS ON BEREAVEMENT FOR A WEEK AND THIS IS DELAYED)

Hilary Mantel, The Art of Fiction No. 226

Mona Simpson, The Paris Review 212

Hilary Mantel was born Hilary Thompson in Hadfield, Derbyshire, a mill town fifteen miles east of Manchester. Her memoir, Giving Up the Ghost, chronicles a grim childhood in a working-class Irish Catholic family: “From about the age of four I had begun to believe I had done something wrong.” When she was seven, her mother’s lover, Jack Mantel, moved in with the Thompsons. “The children at school question me about our living arrangements, who sleeps in what bed. I don’t understand why they want to know but I don’t tell them anything. I hate going to school. Often I am ill.” Four years later, Jack Mantel and Hilary’s mother moved the family to Cheshire, after which Hilary never saw her father again. To quote once more from Giving Up the Ghost: “The story of my own childhood is a complicated sentence that I am always trying to finish, to finish and put behind me.”

Mantel graduated from the University of Sheffield, with a B.A. in jurisprudence. During her university years, she was a socialist. She worked in a geriatric hospital and in a department store. In 1972, she married Gerald McEwen, a geologist, and soon after, the couple moved to Botswana for five years, where Mantel wrote the book that became A Place of Greater Safety. he couple divorced in 1980, but in 1982 they married again, in front of a registrar, who wished them better luck this time.

All her life, Mantel has suffered from a painful, debilitating illness, which was first misdiagnosed and treated with antipsychotic drugs. In Botswana, through reading medical textbooks, she identified and diagnosed her own disease, a severe form of endometriosis. Since then, Mantel has written a great deal about the female body, her own and others’. An essay that begins with a consideration of Kate Middleton’s wardrobe and moves on to a discussion of the royal body generated so much controversy that (as she told the New Statesman) “if the pressmen saw any fat woman of a certain age walking along the street, they ran after her shouting, ‘Are you Hilary?’”

Mantel’s early novels—Wolf Hall was her tenth novel, her twelfth book—reflect the grimness she describes from her childhood and share a bleak, dark humor. he two completed books of the projected Cromwell trilogy, Wolf Hall and Bring Up the Bodies, are not without darkness, but considering their subject—the bloody rise and fall of Henry VIII’s chief minister—they are remarkably vivid on the pleasures of work, home, and ordinary happiness. Both were awarded the Man Booker International Prize, making Mantel the first woman to win the prize twice. his winter, a stage adaptation, Wolf Hall, Parts One & Two, enjoyed a sell-out run in

London; a Wolf Hall miniseries aired at the same time on the BBC. In February, Mantel was made a dame.

Over the three days we spent together, she was working like an impassioned college student, until three or four a.m., and even after a day in the theater seeing both plays back to back, followed by a late supper, she was ready to meet and talk in the morning at nine. — Mona Simpson

INTERVIEWER

You started with historical fiction and then you returned to it. How did that happen?

MANTEL

I only became a novelist because I thought I had missed my chance to become a historian. So it began as second best. I had to tell myself a story about the French Revolution—the story of the revolution by some of the people who made it, rather than by the revolution's enemies.

INTERVIEWER

Why that story?

MANTEL

I'd read all the history books and novels I could lay my hands on, and I wasn't satisfied with what I found. All the novels were about the aristocracy and their sufferings. And I thought those writers were missing a far more interesting group—the idealistic revolutionaries, whose stories are amazing. here was no novel about them. I set about writing it—at least, a story about some of them—so I could read it. And of course, for a long time it seemed as if I were the only person who ever would. My idea was to write a sort of documentary fiction, guided entirely by the facts. hen, not many months in, I came to a point where the facts about a certain episode ran out, and I spent a whole day making things up. At the end of it, I thought, I quite liked that. It sounds naive, not knowing that I would have to make things up, but I had a great belief that all the material was out there, somewhere, and if I couldn't ind it, that would be my fault.

INTERVIEWER

But the majority of human history is lost, isn't it?

MANTEL

Yes, and when you realize that, then you can say, I don't know exactly how this episode occurred, but, for example, I do know where and when it took place.

INTERVIEWER

Would you ever change a fact to heighten the drama?

MANTEL

I would never do that. I aim to make the fiction flexible so that it bends itself around the facts as we have them. Otherwise I don't see the point. Nobody seems to understand that. Nobody seems to share my approach to historical fiction. I suppose if I have a maxim, it is that there isn't any necessary conflict between good history and good drama. I know that history is not shapely, and I know the truth is often inconvenient and incoherent. It contains all sorts of superfluities. You could cut a much better shape if you were God, but as it is, I think the whole fascination and the skill is in working with those incoherencies.

INTERVIEWER

In containing the contradictions?

MANTEL

Exactly. he contradictions and the awkwardness—that's what gives historical fiction its value. Finding a shape, rather than imposing a shape. And allowing the reader to live with the ambiguities. Thomas Cromwell is the character with whom that's most essential. He's almost a case study in ambiguity. here's the Cromwell in popular history and the one in academic history, and they don't make any contact really. What I have managed to do is bring the two camps together, so now there's a new crop of Cromwell biographies, and they will range from the popular to the very authoritative and academic. So we will have a coherent Cromwell—perhaps.

INTERVIEWER

When Raymond Carver wrote a story about Chekhov's death, he invented details and a character. Janet Malcolm traced how subsequent biographies now include the character from his fiction. History grabbed him up.

MANTEL

Yes, and once you know that you are working with historians in that way, then you have to raise your game. You have a responsibility to make your

research good. Of course, you don't mean for these things to happen. In A Place of Greater Safety, Camille Desmoulins wonders why he was always running into Antoine Saint-Just. We must be some sort of cousins because I used to see him at christenings, he says. It's now become a "fact" that they were cousins. Things get passed around so easily on the Internet. And fact becomes fiction and fiction becomes fact, without anyone stepping in to arbitrate and say, What are your sources?

INTERVIEWER

You worked on A Place of Greater Safety, your first novel about the French Revolution, decades before it was published.

MANTEL

I started it when I was twenty-two, a year after university. hat would be 1974. I wrote it in the evenings and on weekends. I did more of the research up front than I would have done at a later stage—luckily for me, because in spring of '77, we went to live in Botswana, where there were no sources to speak of, as you can imagine. I had an intense few weeks before we went, when I said to myself, Get everything you haven't got, because this is your only chance.

It was a strange life. I was living partly in Botswana and partly in the 1790s. I was intensely engaged with my French Revolution book. But I became a teacher by accident. I was roped in by local ladies to work on a volunteer project doing a few hours a week at a little informal school set up for teenage girls. From there, I went to teach at the local secondary school. I was twenty-five and my oldest pupils were older than I was. heir ages ranged from twelve to twenty-six. We tended to have twelve-year-old girls and eighteen-year-old boys in the same classroom, which is an explosive mixture. he institution was a highly unpleasant place. Frantz Fanon would have loved it—the extent of cultural alienation, the horrific forms that colonial- ism takes that one doesn't detect at the time, the tensions. We had a number of teachers from Zimbabwe, who divided themselves by language—so the teachers who were Ndebele people simply didn't talk to the Shona people. here was a teacher from West Africa who was treated like a leper by all the teachers from southern Africa. he only way they made common cause was by hating the Nigerian. he Indian staff didn't bother with the African staff, and the African staff gave the Indians as hard a time as possible. Botswana is the size of France, so it was a boarding school with day pupils, but many of the children came from hundreds of miles away. And to them our little bush town was New York. here was the culture shock the children lived with, the distance from their families. And then there was the horrible, sexually predatory behavior, which, to my shame, I didn't entirely see at the time. I only dimly perceived it. Both masters and boys preying on the girls. his was Botswana just pre-AIDS. I had only very limited means of detecting what was going on, and, if I did detect it, what on earth was I going to do about it? You know, those layers of corruption permeated every aspect of life. Yet one went along day to day, teaching George Eliot.

INTERVIEWER

Did you a have a prescribed curriculum?

MANTEL

Yes, these children were sitting exams set, moderated, and marked in England. It's very hard to teach Eliot when you have some pupils in your class whose vocabulary is around six hundred words, basic English. On the other hand, there were some children who were from a background where their English was more fluent, who were very capable of appreciating it on the linguistic level, though not on the cultural level. Imagine trying to explain, his is George Eliot, she's writing in the nineteenth century. She's writing about the eighteenth century and she's not doing it very well. Try to explain fox hunting to a child who has never seen a fox, never seen a horse, never seen a hedge, never seen a green field, never seen snow. Yet in some ways they responded to the fierce morality. hey cast it in terms of their own morality. We didn't have television, and obviously we didn't have theater. So you were teaching literature to people who had none of the familiar means of forming a picture of the outside world. Teaching Shakespeare in Botswana was difficult, you'd think, but again they loved it. I never told them it was supposed to be difficult. I got good results, I have to say. I suppose I threw myself into it—you know, I didn't have the world weariness of the other teachers. hen some unpleasant incidents drove me out of the school.

INTERVIEWER

What happened?

MANTEL

I was on evening duty, and somebody jumped on me. It wasn't a sexual thing. here were a group of pupils, with one person hitting me. Compared to what could have happened, it was trivial. It was dark, they were not my pupils, I couldn't identify them, the school wasn't interested in finding out. It was a shambles. I felt unsupported by the headmaster, and so I let, but I didn't want to go, because I liked my pupils.

Mantel, age three.

After I let the school, I just wrote.

INTERVIEWER

Had you always wanted to be a writer?

MANTEL

Never. I didn't think in terms of becoming a writer until I actually picked up my pen to become one. And that was born out of a feeling that my health was causing me problems. By the time I was nineteen, I knew there was something wrong but I didn't have a diagnosis, I didn't have any help, and I realized that doors were closing. I wasn't going to be some of the things I thought I might be. he best thing I could do was to get a trade that was under my control. But then, when I looked back, I realized that even though I hadn't said to myself as a child, I want to be a writer, I'd actually instituted a training course. I always wonder if other people's lives have been like that, when they turn into writers. From the age of about eight, I was hyperconscious about what I read, and my reading was always analytical. I was never simply absorbing stories but always asking myself, How is this done? When I walked to school every morning, from the age of eleven to eighteen, I “did” the weather and I didn’t stop until I had one perfect paragraph. So I had a huge mental file of weather. When I wrote Every Day Is Mother’s Day, I picked a sentence from my mental file and dropped it into the book—it gave me great pleasure to do so. I didn’t worry about the ten thousand sentences that didn’t get used because they were all a means to an end. he point of the exercise was not to stop until I’d pinned it down precisely and had exactly the right word. It was all about style, not story. By the time I got into my teens, I had nothing to say, but I had a very good style in which to say it. When I studied law, it completely broke my style, because you have to write in a very prescribed and tight way. When I started writing my novel, I had to rebuild my style. As for my subject, the French Revolution was beyond anything I had to say about my own life. It was so much bigger than me. Bigger than anybody. But there wasn’t the possibility of writing any other book because I had none.

By December of ‘79, I had finished A Place of Greater Safety, but I couldn’t sell it, I couldn’t get anywhere with it at all. I had twelve weeks leave in England before I was due to return to Botswana. I’d made initial contact with a publisher, who seemed interested, so that was my first port of call. And they turned the book down. hen I found myself in hospital. I was very ill, I had major surgery. As I emerged, something in me said, I don’t think you will sell this book. It wasn’t that I had lost faith in the book—because I never did—I just knew the impossibility of maneuvering from where I was. It was not a good time for historical fiction, and I knew from writing to agents and the dusty answers I got that even getting the book read was going to be impossible.

So I formed a cunning plan. I thought, I’ll write another novel. I’ll write a contemporary novel. hat was Every Day Is Mother’s Day. I started it in Africa. I finished it in Saudi Arabia. At times I had very little sense of where I was going with it or whether there would be any profit or success at the end of it. It was written in the teeth of everything. It was an act of deiance—I thought, I’m not going to be beaten. I got an agent, I got a publisher, then I wrote the sequel. It wasn’t planned as two books. It was, for me, a way of getting a foot in the door. But once I had secured a contract, I just rolled up my sleeves and I set about Vacant Possession in a way that I’ve never worked before. I would write through the morning, Gerald would come home midafternoon, would have his siesta, and when he woke up, I would read him what I had written in the morning. I’ve never written like that since.

INTERVIEWER

Gerald's a geologist—did you train him to be a literary reader?

MANTEL

hat wasn't what I needed. It sounds horrible, but I needed a listening ear. I needed someone to write for, someone who wanted to know what would happen next.

INTERVIEWER

Did you prefer historical fiction, even then? Or were they equal but different enterprises?

MANTEL

I have to be frank. Writing a contemporary novel was just a way to get a publisher. My heart lay with historical fiction, and I think it still does.

INTERVIEWER

hough you went on to write quite a few contemporary novels.

MANTEL

Well, things changed. I realized that writing a contemporary novel wasn't just a way in, it was a trade in itself. We returned to England from Saudi Arabia just as Vacant Possession was published. By then I had my mass of material from Saudi Arabia, which I knew I must use, because I had a unique opportunity. So again, that book, Eight Months on Ghazzah Street, demanded to be written. And by then I had the idea for Fludd, which had long been simmering in my mind.

INTERVIEWER

During all that time you didn't give your publisher A Place of Greater Safety. Why not?

MANTEL

Because I was absorbed in what I was doing. I thought, Just push on while the going's good. Fludd was one of those books that came in an instant. You know, you've got the first sentence, you've got the last sentence. A thing like that can go of the boil. So again, I had a sense of urgency.

INTERVIEWER

A lot of your subsequent themes emerged in those first two books—anorexia, diets, a drowned baby, an obsession with "the royals."

MANTEL

he epigraph to Every Day Is Mother's Day is Pascal—"Two errors; one, to take everything literally; two, to take everything spiritually." And it's the epigraph for the lot, isn't it?

INTERVIEWER

How did you go about writing Eight Months on Ghazzah Street?

MANTEL

I kept diaries all the time, and I kept my notes. But there are a lot of problems with that novel. I think it's too fuzzy. I don't think I really crunched down on it. hat was inexperience, and the distressing business of having to make things up. I always see that book through a dust haze, but I do remember the moment when, if it were another book, I'd say it crystallized, but being Eight Months on Ghazzah Street, it didn't crystallize at all. We lived in the city center and one day I went up onto the roof of our apartment block, which was the only outside space available. I craned my neck and saw a crate on the neighbor's balcony. I thought, My novel's in that box. here was something incredibly sinister about it. And yet, what was it? It was a box. In my experience, those are the moments that set a novel. You just have to wait. Supposing I hadn't gone up to the roof, what would the novel have been? I have no idea.

he odd thing about Ghazzah Street was that a lot of what I said proved to be pretty accurate when terrorist activity was exposed in Saudi Arabia. People were doing just what I said—they were stockpiling arms in little lats around the city.

I wrote Ghazzah Street, then I wrote Fludd, not very quickly actually, over a couple of years. By this stage, you see, I'd earned two thousand pounds from my first novel, and four thousand pounds from my second novel. For Ghazzah Street and Fludd, I got a two-book contract for £17,500—not enough to live on. It was at that point that I became a film critic. hen I became a book reviewer as well. I did one film review a week, several books reviews a month. I was an industry.

INTERVIEWER

How could you do it? Did you become a fast reader?

MANTEL

Long hours. I don't think I changed my reading speed. I take lots of notes. I might not have been the world's most insightful reviewer, but I was an extremely conscientious one. Once I got the film column, I was highly visible, and I had more work coming in than I could handle. But I was making a living. I was solvent. And I felt I was building something. here's something very seductive about opening a newspaper if your name is almost always in it. Every weekend, two papers, three papers. If you're an un-networked person from nowhere, which is exactly what I was, then you realize that you're drilling away into the heart of the cultural establishment.

INTERVIEWER

Did the book reviewing make you see your own work within a context? Did you feel your novels were related to other schools of fiction?

MANTEL

No, to be honest, I never have. I think I've had a curve of development that was just mine. his is why, for so long, I made no money. hough I had a good reputation critically, I had very few readers because I wouldn't ind a formula and stick to it. Until the Cromwell novels, I had no identity in the mind of the reading public. It's very hard for a publisher to market an author who doesn't display any consistency in what she's interested in or how she writes.

INTERVIEWER

Ian McEwan jumps all over the map, doesn't he?

MANTEL

I think he is more consistent in his preoccupations. You and I will know that my books are intimately connected, that there is coherence, but from a commercial point of view, they've not been an attractive package. And then there is the divide between contemporary fiction and historical fiction. When I began work on the French Revolution, it seemed to me the most interesting thing that had ever happened in the history of the world, and it still does in many ways. I had no idea how little the British public knew or cared or wished to know about the French Revolution. And that's still the case. hey want to know about Henry VIII.

INTERVIEWER

So you feel readers' interests are predominantly subject based.

MANTEL

Yes, the imagination is parochial. I couldn't have picked anything less promising, from a commercial point of view, than the French Revolution.

INTERVIEWER

How did A Place of Greater Safety get published, in the end?

MANTEL

It was because of a newspaper article. his was in 1992. I had four books out. I had my reviewing career. I wasn't making a lot of money, but I was getting somewhere. And there was this monster book on the shelf. I hadn't looked into it for years. I thought, What if it's no good? Because if it is no good, then that's my twenties written of. And it also means that I commenced my career with a gigantic mistake. But inside me there was still a belief that it would be published one day. And a friend of mine, the Irish writer Clare Boylan, rang me up and said she was doing an article for the Guardian about people's unpublished first novels, and had I got one? I could have lied, but it was as if the devil jumped out of my mouth, and I said, Yes, I have! And of course she rang around a number of authors, and they were saying things like, Yes, I wrote my first novel at the age of eight, and I've still got it in a shoe box. I was the only person who actually wanted to see her first novel published. On my way to deliver it to my agent, I had lunch with another novelist. he manuscript was a huge parcel under my chair—unwelcome, like a surprise guest. We should have given it a chair to itself. He said, Don't do it.

INTERVIEWER

You were twenty-seven when you'd written it and now you were forty.

MANTEL

Something like that. A lot of things had happened in French Revolution scholarship since then. he bicentenary had come and gone, and there had been a revolution in feminist history. When I read my drat, I saw that the women were wallpaper. here had been no material. Today you would think, Well, I must invent some, then. At the time I hadn't seen the need—I hadn't thought the women were interesting. My life was more like the life of an eighteenth-century man than like the life of an eighteenth-century woman. And I suppose I didn't really ask myself the questions. Now I thought, I've got to work this harder.

INTERVIEWER

How long did you take to revise?

MANTEL

I did it in the course of one summer. he publication process was horrendous. Basically, the novel was written in the present tense. Someone in the publishing house didn't want that, so changed it, and I changed it back, and so on, through proofs. he result was that, if you look at the book now, there are paragraphs where two tenses are employed. One day I'm going to straighten it out. But the work I had to do in those weeks was bru- tal, because I had to revise on a schedule. I worked immensely long hours. Something in me was never quite the same after that. It would be romantic to say that summer was the making of me, but it actually wasn't like that. It brutalized me. I'm not sure if I can really express it, but it was after that, I shut down. I shut down such a lot of my life in order to do it, and never opened up again.

INTERVIEWER

Do you mean you entered a level of isolation for the work, or restriction? A deeper commitment?

MANTEL

Restriction, yes. I think it's good for me as a writer. I don't think it's very good for me as a human being. A sort of grimness entered into me, I think, which is still there. I suppose that book always was more important to me than anything else.

INTERVIEWER

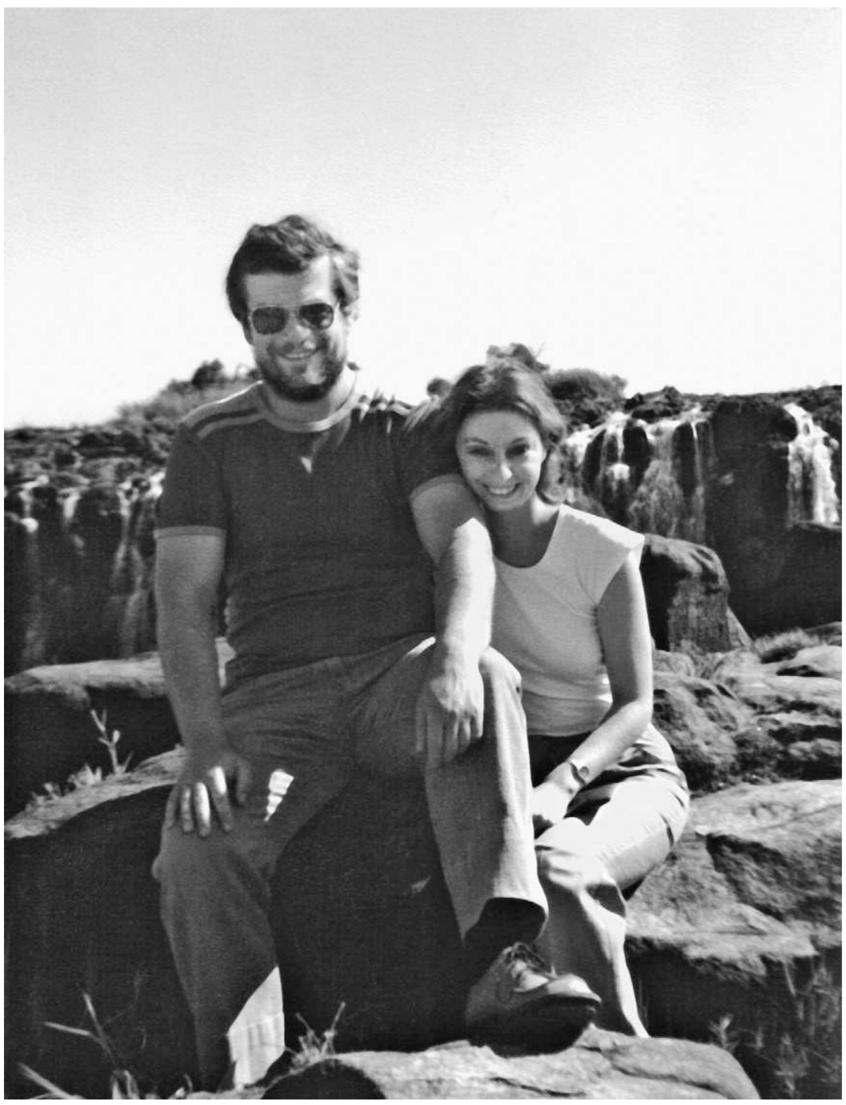
It was the book, until the Cromwell books.

MANTEL

Yes. It was me doing what I do. And I think, for better or worse, it's me doing what only I could do. Nobody else works by this method, with my ideal of fidelity to history. Regardless of whether that's a good thing, or gets good results, it is a thing I do.

INTERVIEWER

You said you withdrew from life. What did you eliminate?



With Gerald at Victoria Falls in 1978. "I only became a novelist because I thought I had missed my chance to become a historian."

MANTEL

Friends. Personal relationships. Fun. Everything just went. I don't think I had many close friends before, but it seems to me that after that summer I never relaxed again. And the only people who could be my friends were people who were enormously tolerant of my really not being there for months at a time. Because of my health, my energy has always had to be harvested, preserved, and directed at work. And then if there was any let over, fine,

but usually there wasn't. I never lived in London, so I didn't hang out with literary people in my of-duty hours. I was not isolated, though, from other writers. Instead of going to literary parties, I went to committees. I sat on the Council of the Royal Society of Literature, on the management committee of the Society of Authors. For six years I sat on the Advisory Committee for Public Lending Right, which advised the government on giving authors an income from books borrowed from libraries. hat was my involvement in the literary world. It was technical, if you like. It was useful work, but most people would have regarded it as extremely dull.

INTERVIEWER

Did you have friends who were helpful with the work itself?

MANTEL

I'm going to say no, on the whole. Gerald is my first reader, but I don't expect literary criticism from him. He's not going to say, Oh, that reminds me of something in Muriel Spark. He's going to react as a human being to it. And isn't that what we want?

I have other people I hold in mind as I write, to whom I might show something at an early stage. A fan who became a friend, Jan Rogers—she was a BBC producer, and it was she who got me writing for radio. She is knowledgeable about revolutionary history, she got me more deeply into Irish history, and she woke me up to literary theory. I have a friend called Jane Haynes, a psychotherapist—that's another strand of interest.

I don't really talk about writing very much to other writers. here's one writer—Adam Thorpe. Adam lives in France and I never see him, but if he were to walk in, we'd have a proper conversation. It would be about writing. And I think he's the only person I have that kind of relationship with, and I haven't heard from him for months.

I keep a big correspondence going with Mary Robertson, whom my Cromwell books are dedicated to. I write to Mary almost every week, some- times far more often.

INTERVIEWER

How did you become friends?

MANTEL

Some years ago, probably fifteen years ago, I was invited to the Huntington Library, to a conference along with Martin Amis, Ian McEwan, Christopher Hitchens—the lads, you know. I casually mentioned to a woman there that I was thinking of writing something down the line about Thomas Cromwell. And she said, When you do, we have a woman here you need to meet. I thought no more of it until the time came, then I said, You have a woman, I believe. And therein we fell into correspondence—very tentatively at first. Mary had long ago written a Ph.D. thesis on Thomas Cromwell's ministerial household. She'd also written a couple of papers on his property holdings. But she had not really asked herself what this man was like, because that was not her job.

INTERVIEWER

What was your correspondence like?

MANTEL

Luminous. I didn't really ask her questions. I'd bounce suggestions of her. I'd say, I've come across this and my thought about it is that. What if I were to speculate? Would you see anything against it? Is this really a gap in the record? Or is it just something that I personally don't know? Her interest and knowledge were there, ready to be revived.

INTERVIEWER

Did you ind other people who specialized in More and Wolsey?

MANTEL

No, no. I didn't know any historians. I do now, but when I began I only knew Mary. She's a fountain of information. But she was also a muse, and I needed a muse. I needed someone to write for. I needed someone to say, I'm holding up a torch for you, even when it's so dark you can't see your way to the next paragraph. I needed someone to say, Do it, I care, it's important. Someone who was enthralled—just like Gerald was when I used to read him Vacant Possession. he wonderful thing was that Mary became so engaged. I didn't feed the text to her bit by bit, but I would tell her how it was shaping, what I was thinking, what I was contemplating. It was a wonderful thing.

I remember, for instance, one particular Saturday morning, when I was writing.

here's an episode when there's a tournament, Gregory Cromwell is in it, and someone rushes in to tell Cromwell that the king has fallen from his horse and is dead. But when he comes in, Cromwell's first thought is, My son is dead. He stands up, and then he grasps the situation. He dries the ink on the document he is writing, then he picks up an ornamental dagger from his desk and goes out to face what is to come. Now, when I came to the point where he dries the document, I couldn't see what he did, and I needed to see. Until I could see, I could not continue. So I e-mailed Mary and said, Documents, ink, methods of drying. She dropped everything. We spent a whole weekend e-mailing—to discuss how you might dry ink. hat's not really an archivist's concern. But it was the action of a very good friend. We've met about three times now. She came over to Stratford for the plays. It was magic. Because I never imagined them turning into plays. Or Mary sitting beside me, in the audience.

INTERVIEWER

How long were you thinking of the Cromwell novels before you started?

MANTEL

Thirty years. But I didn't start work until 2005. I don't do a block of research and then write. It's a luid movement between one thing and another. I have masses and masses of material for the third Cromwell novel. I'm generating it all the time, every day. At the moment, it arrives in a completely random order. here has to be a stage where I stay at home, sit down at my desk, and begin stitching it together, and I hardly have stayed at home for a year.

INTERVIEWER

Why not?

MANTEL

I've been working on the plays. First with Mike Poulton, the adaptor, on the scripts. hen with the actors in rehearsal. I became a professional audience member. hat's how I have learned—tracing the process and how it pays of. Working with Ben Miles, the actor who's playing Thomas Cromwell, is a creative process different from anything I have tried before. He asked me, for example, if I could provide him with some memories of Cromwell's daughters as children. his is not, obviously, something you can ind in the book. These little girls barely exist in history. They're names. So we're moving into territory that is difficult for me because I like to have facts to steer by, but I found once I began that I could unspool thousands of words. It's exhilarating, and it's unnerving at times. What has happened is that the projects have begun to play of each other—the two books that are adapted into plays and the third book still in process. An insight will produce a new bit of script, which will generate some prose, which I then write into the third book as a flashback. Or perhaps Ben will describe something that comes to him in performance, a crosscurrent of emotion, let's say—you're saying one thing but the picture in your mind is something else. I can use that. Or he will give me an image. Literally, sometimes—a photograph. And I can use that, too.

INTERVIEWER

Had you ever thought of working in the theater before?

MANTEL

Long ago I seriously thought about applying to drama school instead of university. But I already knew my health wouldn't hold up. I could act, to a degree, it's what I do as a writer, it's how I build characters—I act them from the inside.

Has your health improved?

INTERVIEWER

MANTEL

I couldn't have sustained this collaboration even a year ago. I couldn't have worked on other people's schedules. I always had to work on my own, so that I was in control. But now I've been able to attend rehearsals and be at the shows at night and then come home and go to bed at three o'clock and then get up the next day and do it over again. I'm not sure that it's wise. But what has wisdom got to do with it? I've had to live in such a cautious way, in such a constrained way for many years. In the last six months I've started to enjoy myself, and it's given me a lot of optimism. I hope the Mirror and the Light will be a play, once the novel is done. he other possibility is that I simply go of and write an original play, which I think is quite likely to happen.

I'm sixty-two next month. About four months ago, I noticed that I'm no longer in pain every day. I ind myself feeling better than I have since I was twenty, and therefore, I think I can do things. here are a lot of novels I want to write, but there are also plays I want to write. It's a bit unusual to start at this age, but why not?

INTERVIEWER

Is Gerald your first reader as you work on he Mirror and the Light?

MANTEL

I can talk to him or not. He never says, Tell me what you're writing. He gives me space. And he's completely accepting that, at a certain point, my writing might be going out to another person, and my emotional energy with it. He doesn't say, Where's my share? He'll listen to me if I need to be listened to, and I hope that nowadays I don't try his patience too much. I think I used to, particularly when we were in Botswana, where I was so intensely engaged with my material and there was nobody I could talk to about writing. It was me, my secret revolution, and Gerald. Oh, I think it must have been very boring at times. he writer is going round and round, and they insist they've got a problem, but you can't see what it is. Now our relationship's changed a lot because we're business partners.

INTERVIEWER

What kind of business partners?

MANTEL

From two years or so ago, three years now, Gerald doesn't work on his own account, he just works with me. He hasn't been a geologist for many years. When we came back to England in the mideighties, he went into IT—he worked for IBM for nine years and traveled a great deal. We both traveled a great deal. And we existed in fairly separate spheres. hen we had sort of overlapping crises. Gerald had a serious illness in 2008, just as I was in the closing stages of Wolf Hall, and it made a disjunction in our lives. By the time he recovered, life had changed for me because I'd won my first Booker. And it was at that point that I began to need serious help with, you know, office support, just somebody to run my life. hen I had this real horror year. I had complicated surgery, and the aftermath went badly. My lifelong problem was endometriosis, and it has now burnt itself out, but it let a lot of damage internally. I was very ill, housebound for six months. I lost 2010. his was between the two novels. When I did get back to work, I completed Bring Up the Bodies very quickly. We went through a year where it wasn't certain what we would do, and whether Gerald would actually pick up and resume his career.

So then we decided he would come and work with me and we would move to Devon and just change everything. And now here we are.

It means a great deal of unselfishness on Gerald's part. I worry about that. Somebody said to him last week, Isn't it like being Mrs. hatcher's hus- band? Which I thought was unflattering to us both. he other thing I worry about is if he's lonely, because I'm preoccupied with my work and I don't expect to have people around me, whereas Gerald had colleagues all those years. However, with these theater productions, we're plunged into a world of sociability. And he's become part of the group.

INTERVIEWER

You've described your work for the plays as paying attention to the audience. his is unusual for novelists, who write a long time and receive a response only much later.

MANTEL

A live audience is such an intricate and fascinating thing. It needs permission to relax and to laugh. Also, it needs a reason to listen. We're asking people to listen very closely to these plays. We also want them to be amused. You can feel the mood of an audience change second by second, and it's fascinating to watch experienced actors—their instincts alive—shape and respond to an audience, control it. Writing would be a very different game if that kind of feedback were available to you. Instead, your reader feels very distant. With historical fiction, the big thing is the constant check you keep on information. What have I told my readers? Of what I've told them, how much do I think they hang on to, at first reading? Have I told them too much, have I spoon-fed them? Or have I told them too little, mystified them? It's not just historical fiction, of course, all fiction is like that. And if it's a choice between spoon-feeding and mystification, I think choose mystification, because you always have to assume that your reader is at least as intelligent as you are, if not more so.

INTERVIEWER

You want to survive rereading, of course.

MANTEL

hat's a big and ambitious thing to say to yourself as a young writer—I want to write books that can be reread. At first you get a little exasperated with yourself when you can't convey everything in one go, but then you realize that there are things in your fiction that you didn't get until later, so you begin to see that not as a failure but as an intrinsic part of the process. Not everything will be available at first reading.

INTERVIEWER

What gave you that confidence?

MANTEL

When I began writing, I launched into A Place of Greater Safety, a vast novel involving mountains of research, for which there was no discernible public demand. And knowing that it would take me years, without any contacts, not knowing any historians, not knowing any writers or publishers, so when I look back, it seems like a very strange decision. I suppose that, because I was twenty-two, I knew I had time on my side. Still, it's lucky that I couldn't see just exactly how long it would take.

When I began writing I had a perfect belief that, although I might not know how to do many things, I did know how to write a novel. Other people might have disputed that, looking at my efforts, and no one was in a hurry to endorse my confidence, but I did know within myself that I could write a novel. he reason was I'd read so many that the pattern was internalized. I've always been an intensely ambitious individual and whatever I was going to do, I was not going to let go until I got where I thought I ought to be. It's a question of, What will you sacrifice? What other things will you let go, to clear the space for your book? What develops later is something rather different, as you proceed from book to book, every book throwing up different demands, needing different techniques.

INTERVIEWER

You're always a beginner.

MANTEL

You absolutely are—every day. You have no right to assume that you'll be able to write because you could write yesterday. On the other hand, when there are dark times, you can say, I've faced this before. You learn that you will always have to mark time, that you shouldn't rush, that if you wait, the book will come to you. But you only build up this knowledge through long experience. Your daily work is very much about the line, the paragraph. It's not about the grand design of your career.

INTERVIEWER

Have other contemporary writers been important to your development? Sebald?

Munro? McEwan?

MANTEL

I was set very early. here was Shakespeare, there was Robert Louis Stevenson, and then there was reading Jane Eyre—specifically Jane Eyre, none of the other Bronte books. I was nine or ten. hat was my first experience of realizing that there was another head in the world that felt like mine—the passage right at the beginning, when Jane's relatives accuse her of being unchildlike. For a young reader that's an important moment, when you recognize that your self exists in the world and that your self exists in literature. I totally identified with Jane as an unchildlike child. I never was very much interested in her love story.

Kidnapped I read probably every couple of years at least. It never loses its magic for me.

INTERVIEWER

Do you reread Jane Eyre, too?

MANTEL

When I reread Jane Eyre, I just think, Jesus, why don't you leave that bit out, and that bit out, and that bit out. I start working on it, as if I could ix it, but Kidnapped is perfect. here's nothing in it that shouldn't be there, nor is it lacking anything. I know Stevenson modestly said it was just a story for boys, but it's actually a perfect novel.

I always ind it difficult to talk about this business of influences because I've never consciously said, I want to be like that author, or looked at someone's book and thought, hat's a good trick, I'll try it. I've never tried to imitate a style. I don't think that's really what influence is about. Still, when I read Stevenson, I thought, his is how a story should be. And when I read Jane Eyre, I found that I existed in fiction. Kidnapped came first and remains the book to which I'm most attached, perhaps precisely because it's about a boy, it's about male friendship and the construction of masculinity, and it's about the boy who leaves home and can't go back because there's nothing to go back to. hat's a story I've been telling all my life. It has evolved with various novels, but it's a basic narrative to me. Last summer, Gerald planned a week in Scotland for us. He chose a beautiful hotel two miles down the road from where the central incident in Kidnapped takes place, which is a real-life incident. I did what Stevenson says you should do—Get yourself a map, you'll understand what follows much better. For the first time, I traced the route of the light in the heather, went to see the site of the murder, went over all the territory and then started avidly reading, fitting together the picture. here was not a night during our holiday when I went to sleep before four a.m. And by the end of the six days, I understood a whole swathe of Scottish history. Well, it was a very happy thing, but it wasn't great for Gerald, because all we'd both wanted to do was drive around and look at scenery, but the itinerary was steered by my obsession.

With Tertius, in 1995.

It's interesting to think what would have been the outcome if I'd read Jane Eyre first.

INTERVIEWER

Did you read Middlemarch?

MANTEL

Not until I was grown up. I'm not fond of Eliot. And I've never made my way through a Virginia Woolf book. I can't. I can read her essays, and I can read about her, and I can read all around her. I can't read her novels. You know, it sounds terribly disrespectful to Virginia, but I like books in which things happen. I think it's Faulkner who says, Write down what they say and write down what they do. To a large extent I do that, more than people imagine. I don't have pages and pages in which I say, Cromwell thought. I tell you what he says, I tell you what he does, and you read between the lines. I would prefer to read case histories than to read a novelist's take on the psychology of an imagined person. My favorite person, my hero, is Oliver Sacks. I've exchanged letters with him, and there's one that I haven't stuck in my file for the Huntington archive. I've kept it in my own files. It's really precious.

Do you have other favorites?

INTERVIEWER

MANTEL

Ivy Compton-Burnett is the love of my life. If I can't write—and it happens, your spring gets broken—all I need is a couple of hours with Ivy, and I'm back. here's a sort of click there. It's not that you imitate her, it's an almost mechanical restoration of rhythm and sensibility. I'm reset. It's almost all dialogue, you know, and there is very little by way of "he said" and "she said," so you have to count back, and the characters have only quite a small reg- ister, so they say what they have to say almost in formulaic terms, but then you think, Did she really say that? he harshness, the ruthlessness of the narratives and the appalling things that happen between the lines, almost incidentally—well, she's just like nobody else. For me she's magic. We are a very small fan club. Twenty years or more I've been hammering away, trying to get people to read her.

But what I was starting to say earlier, about influences, is that, in my case at least, they are not especially "literary." Your worldview is acquired not just from novels, but from all sorts of books. he big event in my life was getting an adult library card when I was fourteen, because that meant I was free. But while I was reading my way earnestly, with great dedication, through the French and the Russians, I was also reading Marx. hat was just as important, probably more important. Among writers themselves, the question is not who influences you, but which people give you courage. When I began, the female writer who gave me courage, among our contemporaries, was Beryl Bainbridge. I don't write like Beryl, and never have, but when I began to read her, her books were so of the wall, they were so screamingly funny in a black way, and so oblique, that I thought, If she can get away with this, so can I.

I think R.D. Laing was more responsible than any novelist was for the fact of my becoming the kind of writer I am. he spring when we were graduating, Gerald's next move, he thought, was to go to train as a teacher. So he went of to a college for an interview, and I went with him. And the couple of hours he was being shown around and interviewed and so on, I spent in the college library, and I picked up a book by Laing and Esterson, called Sanity, Madness and the Family. I read it cover to cover, and I felt as if my head had been blown of. It was what they call the shock of recognition. I thought, I know this. I'm glad they've told me, but I know it already. I understand this, about the corruption that can lie at the heart of human communications, the way in which people within a power structure line up, the way that a victim is selected, the way that manipulation is performed using language. When I read this, I thought, So I do know something then. And it gave me a sort of inner authority when, twelve months or so later, I started writing. Because I felt that I knew something that, for a change, wasn't about the French Revolution.

INTERVIEWER

Can you talk more about how you create your historical characters?

MANTEL

When I'm writing a novel about historical figures, I have to be everybody. It's strenuous. I know what it's like to inhabit Cromwell, but it never occurred to me that I needed to get inside the bodies of characters like Julianne or Karina, in An Experiment in Love. It was enough to observe them. You know the concept of the good-enough parent—well, sometimes you have to settle for the good-enough character. When the people are real, though dead, I have a different feeling toward them. I consider them my responsibility.

INTERVIEWER

E. M. Forster talked about round and lat characters.

MANTEL

My books are full of lat characters. hat's absolutely ine, because you have to know what function the character has in the book. On the other hand, when you make those characters, you do feel that it's a bit like playing. You don't have the same engagement. When you're working with the main characters and the medium-size characters, and they're real people, there is an enormous drive to understand not just what really happened, but how it really felt. To arrive at the truth of them. There are a lot of historical characters in the Cromwell books who are just names. I mean, history just leaves us their names, and I've done the rest. But there is only one completely invented character. It's the servant, Christophe, and even he has an antecedent in real life. When Cardinal Wolsey was on a diplomatic mission to France, he was being systematically robbed by a servant, a little boy, who was going up and down the stairs and each time taking out a piece of his silver or gold plate—because of course people traveled with everything in order to put on a show. He has no name, what happened to him we do not know. But his story was somewhere in the back of my mind when I invented Christophe. He is a potboy in a backstreet tavern in Calais who attaches himself to Cromwell. I thought, his boy will be useful because, in the end, when Cromwell is in the Tower, I need him to have someone to talk to. It's going to be this boy. Later I thought, I know who you are—earlier in life, you robbed Wolsey. So he is and is not a fictional character.

People say to me—and with good reason—why don't you just make things up? It's just not in my nature, if the facts are to be found. It's very perverse of me to be a novelist because I really don't like making things up. I wonder if anyone in my books is completely fictional. I think, Why invent, really?

INTERVIEWER

With the historical characters, whose internal lives have to be inhabited, do you know them well before you begin the first scene? Or do you get to know them by writing the scenes?

MANTEL

I start from a small core, a glimpse of someone or a little sound bite, and work from there. When I come to write what I call a big scene, especially in the Cromwell novels or any historical material, I prepare for it. Whatever I've done before on that scene, I put aside. I read all my notes, all my drats, and all the source material it's derived from, then I take a deep breath, and I do it. It's like walking onstage—with the accompanying stage fright.

INTERVIEWER

At what point did you feel you'd found an entry to the internal life of Cromwell?

MANTEL

I think there were two points, really. When I began to read material he him- self generated, that is to say, his letters. here is one particular letter, writ- ten long before he entered the history books, as it were, when he sat as a member of Parliament in the early 1520s—so a clear six, seven years before he becomes a player at court. Now, parliaments in those days were called for a matter of weeks, and usually only when the king wanted to raise a tax. It wasn't until Cromwell that Parliament was kept in session almost constantly and used to reshape the country. But this session was meant to raise taxes for a war in France. And Cromwell made a very remarkable speech in it.

INTERVIEWER

It was recorded in the letter?

MANTEL

No, but among his papers. Parliamentary proceedings were not recorded, so one cannot be one hundred percent sure that the speech was delivered, but it probably was. here's no reason for thinking it wasn't. He told the king, Don't have this war, you can't afford it. It was couched in the most sycophantic language, in which one must address a Tudor monarch, but basically it said, If you do this, we'll go bankrupt. What's obvious is that he's unafraid to say it and also that he's got a grip on economics as opposed to finance. He can see a wider context. He can see that there are no circumstances in which England can afford to go on these European adventures. And then there's a little letter, afterward, to a friend, which says, I've just endured a parliament for the space of seventeen whole weeks, and he gives a big, big list, going down the page, of what they discussed, and he says, at the end, "We have done as our predecessors have been wont to do, that is, as well as we might, and let where we began." his letter is always quoted by historians, and what they usually make of it is, Would you look at this, the bitter cynicism of the man before he's even started. his is Cromwell in embryo. So it's taken with deadly seriousness. And I thought it was funny. I caught on to him. I could hear his voice.

But that's the public man. he private man is a different thing, and he began when the book began, when I picked up my pen and wrote the first pages about the boy being beaten up by his father. When I'd written two paragraphs, I thought, Where am I? And obviously I was behind his eyes, and at that point all the decisions about the book were made, about how to tell the story.

INTERVIEWER

Though you're extremely hesitant to tamper with history, and though of 159 characters in the books there's only one created out of whole cloth, you must have invented most of Cromwell's private life.

MANTEL

That's part of the bargain. Otherwise you're just a pseudo historian.

INTERVIEWER

Did his letters speak about his marriage?

MANTEL

No. There's one letter to his wife that's about six lines long.

INTERVIEWER

So we know nothing.

MANTEL

We have the household books. We have names. We have inventories, so we know the things they had. We have the names of the people who live there, we've got what they spend their money on, the possessions that lie about them. hat's as good as it's going to get.

What I think is a crucial passage in Wolf Hall is also the most interesting, as an example of what a novelist does, as opposed to a historian. When Cardinal Wolsey fell from power, he was thrown out of his London palace. He and his household had to go ind somewhere to live, and they went to his house at Esher. here they walked into an unoccupied house, which he didn't use much, it was not ready, they had nothing, and they had to start housekeeping. All of this is documented. A couple of days after Wolsey's arrival at Esher, Cromwell was seen to be standing in a window holding a prayer book and crying. When approached, he said that he was crying over his misfortunes—with the cardinal down, he was going to be destroyed, and he had lost everything that he'd worked for. "All the days of my life," he said. Every historian and every biographer who touches on Cromwell reports this episode, and what they usually make of it, rather strangely, is that it's some kind of cynical display put on for the beneit of the onlookers. Why he would be doing this no one ever explains, but that's the usual take on it. Or, even if they don't put such a dire construction on it, what they say is, Well, he tells us himself what's happening. He's crying because of the destruction of his career.

But the account of that incident begins quite clearly on All Hallows' Day. Rather, it begins the evening before, on All Hallows' Eve. It seems I'm the only writer who has ever noticed that it's the day of the dead. his is a man who, in the last three years, has lost his wife and two daughters. He's now lost his patron and his career is about to be destroyed. Once you realize what day it is, everything changes. A man may cry for more than one thing at once, and when you ask him why, he may not tell you. his appears to me to be the kind of thing that a novelist notices and that historians man- age to ignore, generation after generation. heir minds don't make the jump because to them it's just another dateline—it could be May the twenty-ith. hat strikes me as a really powerful example of how evidence is lying all around us and we just don't see it.

INTERVIEWER

How did you decide to put the dialogue in contemporary English?

MANTEL

Well, it's contemporary English inflected with Tudor English. Just as with A Place of Greater Safety, if I could get contemporary dialogue, I wanted to use it, and blend it into my own dialogue. Only there the contemporary source would be in French, so the questions weren't quite the same. I needed to write so that I could quote a passage of early Tudor English intact and smooth my invented dialogue in and out of it, so that one tapers into the other and no one can see the join. he decisions about language are taken around that necessity. I spend time working on individual words, but I spend more time making sure that the thought processes are congruent with the era, so that the metaphors are ones by which sixteenth-century people could live. hey can't talk about evolution, they can't talk about their egos. he metaphors they build must be drawn from, say, their religious worldview. That's more important than worrying about every word. Sometimes there just isn't a Tudor word for what you want, and then you have to think hard—if no word, could they have had the thought? Boredom, for example, that doesn't seem right. Were they never bored? But tedium, they know. And somehow ennui seems fine. Sometimes words play tricks, change their meaning. Let doesn't mean "allow," it means "forbid." hey call a doll a "baby," often as not. hey call a clever man "witty." It doesn't mean he makes jokes. So you can't be slavishly literal. You can try to be authentic.

Of course, I'm very concerned about not pretending they're like us. hat's the whole fascination—they're just not. It's the gap that's so interesting. And then there are other ways in which they are like us.

Mantel, in 2014. “People say to me, Why don’t you just make things up? It’s just not in my nature, if the facts are to be found. I think why invent, really?”

MANTEL

The marriage fascinates me especially.

INTERVIEWER

The marriage . . . ?

INTERVIEWER

It strikes me as daringly modern. You’ve given Cromwell a fond companion- ate marriage that resonates with contemporary readers.

MANTEL

I think it would have been a very typical one, though. hat’s what I set it up to be—typical rather than special. Here was a man who was good with women. His relationships with women at court were possibly extremely self- serving, but he kept them on his side. And he had women friends, which is possibly a bit unusual for the time.

INTERVIEWER

You don’t see many male-female friendships in Shakespeare.

MANTEL

Why would you? Friendship on the whole is not the stuff of drama, is it?

INTERVIEWER

Male friendship is certainly all over drama. And prose fiction.

MANTEL

he thing you've got to understand about sixteenth-century life is that male friendship is much more important than your marriage. My take on this Cromwell marriage is that it's not a love match, it's a business arrangement. hough they come to love each other, it's not a great romance. hey're not together very much. He's virtually a stranger to his younger daughter. So far, so typical. I think the reason I decided to make it a good marriage, rather than a bad marriage, is that after her death, he remained within her family network. Her family continued to live with him. We know a lot more about the marriage of Ralph Sadler, Cromwell's … uh, PA. hat was an unlikely marriage because it was a love match. his is something that's possible in this era. Look at poor Henry himself—he's the one who's really ahead of his time, he's such a romantic.

INTERVIEWER

Some romantic.

MANTEL

He wants a wife he can talk to. A lot of the courtiers, they simply don't understand this, so when his fourth wife, Anne of Cleves, comes along, nobody understands why it's such a disaster. hey think, He's a king, after all. He has to breed. Why does he need to talk to her? Why does it matter that she doesn't share his cultural pursuits, and so on? he fact that there was such general incomprehension shows that these people are living in changing times. Some haven't changed yet. he Duke of Norfolk's marriage was a debacle, but there's a letter of 1537 in which he says to Cromwell that he's just had a conversation with his daughter, who's about twenty. She has a very good wit, he writes. I never commoned with her before in any matter. I paraphrase. He's saying he's never had a conversation with his own daughter. He sounds startled. He's not entirely pleased that she's got a very good wit because he wants to boss her around, and she's not having it.

INTERVIEWER

Do you ind yourself judging your characters?

MANTEL

I try not to. For me the question is, Can I live with you, or can I not? I'm fascinated by really clever people, and I think Cromwell had a brilliant mind—I know he did—and a rare kind of mind in that he saw the big picture and all the details as well. It was through his grasp of detail that he managed to achieve the things he did. When he said, We're going to survey the Church property, we're going to ind out where the money is, he did it in six months, and that's with sixteenth-century communications. It should have taken ten years. But he knew how to mobilize others to work for him, how to give precise instructions, how to plan. He had a big-scale vision of a different sort of country from the one he started of in, and he had the practical sense to start bringing it about.

INTERVIEWER

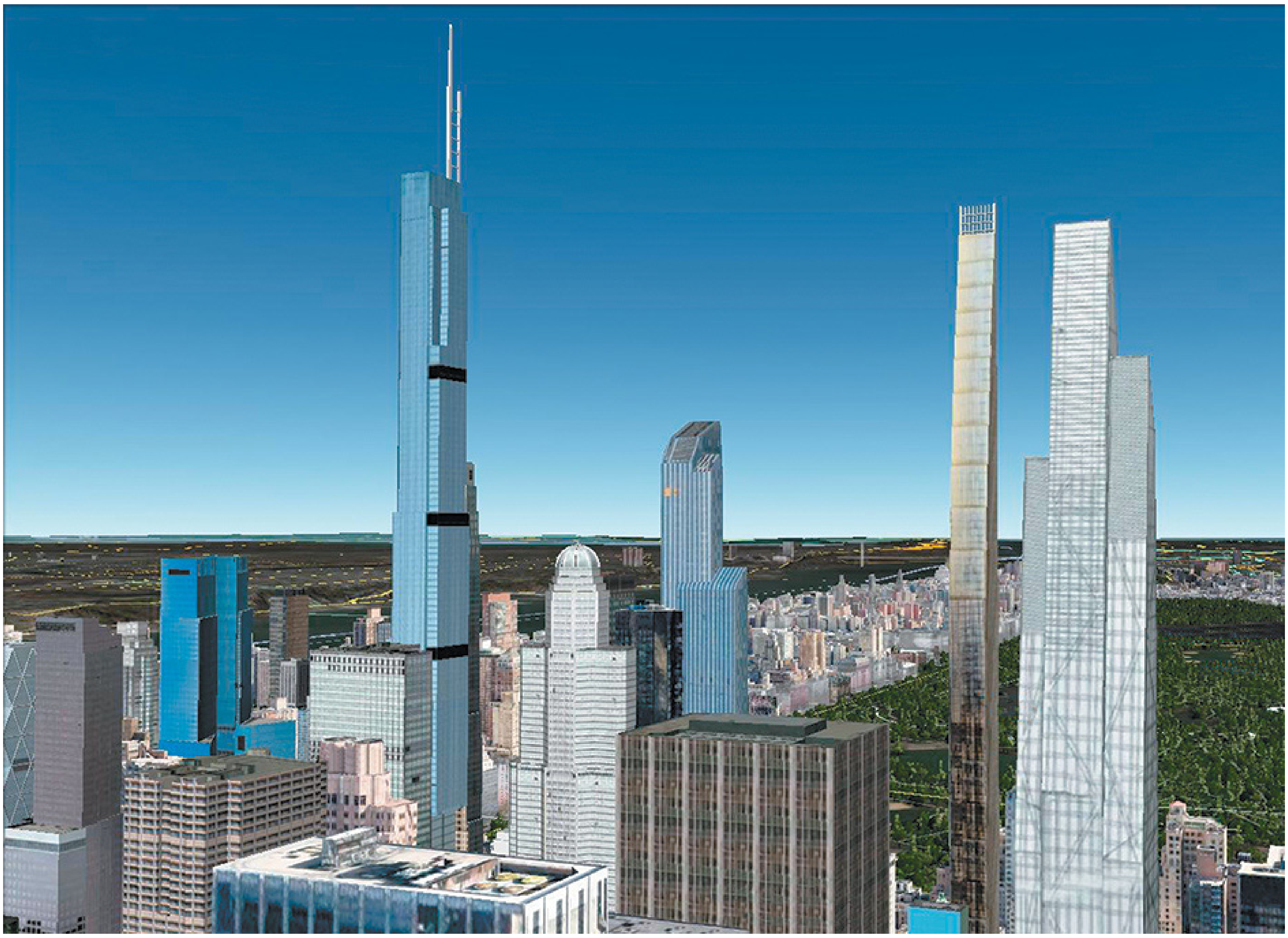
What sort of characters can't you live with?

MANTEL

I'm not really interested in people who start of possessing power—royal people, for example. It doesn't mean I won't ever write about them, but I ind all that less intrinsically interesting than the climb. People ask, Are you not going to write about Henry's daughter, Elizabeth I? I have such an antipathy to her, I know it's a no-go. You have to select your subjects with the same care as a biographer, because you're going to spend a long time with them. here has to be a spark of liking.
The other element is found in the stenotype, that somewhat disconcerting device encountered usually at public meetings. A girl strokes its keys languidly and looks about the room and sometimes at the speaker with a disquieting gaze. From it emerges a typed strip which records in a phonetically simplified language a record of what the speaker is supposed to have said. Later this strip is retyped into ordinary language, for in its nascent form it is intelligible only to the initiated. Combine these two elements, let the Vocoder run the stenotype, and the result is a machine which types when talked to.

New York, Conspicuous Construction

Martin Filler, The New York Review of Books Apr 2, 2015 Issue



A rendering of the condominium towers planned or under construction at 225 West 57th Street (Nordstrom Tower), 157 West 57th Street (One57), 111 West 57th Street, and 53 West 53rd Street in Manhattan

1

From the pre-Revolutionary period until World War II, tenants in New York City were uniformly given three months' notice of annual rent increases on February 1 (known as Rent Day). Many then sought cheaper deals, and when all leases expired on May 1 (called Moving Day) as many as a million residents changed houses in what amounted to a single mass migration. Lately there's been another, more specialized real estate frenzy afoot in America's largest city. Its most visible manifestations concern the world's very richest people.

Last December a long-anticipated threshold was crossed when a duplex penthouse atop the French architect Christian de Portzamparc's new One57 condominium, on Manhattan's West 57th Street between Sixth and Seventh Avenues, sold for an unprecedented $100,471,452.77. In 2014 seven more apartments at that address, built by the Extell Development Company, changed hands for between $32 million and $56 million each, which together accounted for more than a third of the year's two dozen biggest New York residential transactions. This January, another duplex there fetched $90 million.

Portzamparc's tower of monetary power stands two blocks south of Central Park, at the epicenter of Manhattan's densest concentration of top-of-the-line apartment construction since Fifth and Park Avenues were built up between the two world wars. The block directly west of One57 awaits another Extell venture, Nordstrom Tower, designed by Adrian Smith (architect of the world's tallest structure, the Burj Khalifa of 2003–2010 in Dubai) and Gordon Gill. Comprising a branch of the Nordstrom's fashion retailer at street level, a hotel above the store, and condos on the uppermost stories—unobstructed park views commence at 225 feet high, hence this sequence—it will rise next to and over Henry Hardenbergh's Art Students League of 1891–1892 and become the city's tallest residential building at 1,775 feet.

Nordstrom's piggybacking was made possible by the developer's purchase of the art school's air rights—that is, the titular transfer of empty vertical space above nearby buildings never used to the full extent permissible by zoning laws. Such stratagems are an essential part of the complex legal and economic equation (what the skyscraper historian Carol Willis has termed "invisible Monopoly," after the real estate board game) that has allowed these super-tall, super-thin towers to multiply in Midtown North, as planners and police call the neighborhood.

Although several similar towers are planned around 23rd Street near Madison Square and in Lower Manhattan, the rarefied calculus of this niche market hinges on location. Thus, even though seasoned New Yorkers have long deemed Central Park South somewhat socially marginal—during the 1980s brokers dubbed it "Mistress Row" for the many kept women with apartments there—or the province of out-of-towners who frequented its fancy hotels (the Plaza, the St. Moritz, Essex House) and touristy restaurants (Trader Vic's, Rumpelmayer's, Mickey Mantle's—which are now gone), foreign buyers consider it the golden core of the Big Apple.

On the same block as One57, SHoP Architects' proposed 111 West 57th Street will have the dubious distinction of being the world's slenderest building, thanks to the extreme contrast between its tiny 60-foot-wide base and attenuated 1,421-foot height. By way of comparison, the base-to-height ratio of Minoru Yamasaki's ill-fated twin-towered World Trade Center of 1966–1977 was 1:7; 111 West 57th Street's will be 1:23. The facade of 111 will be clad predominantly in terra cotta and bronze, and its full-floor apartments will all have views north to Central Park panoramas. Though a technical feat of engineering—the building is heavily weighted at its top to stabilize the thin structure in high winds—111 promises to be a simultaneously intrusive and elusive urban presence, the architectural equivalent of Chauncey Gardiner, Peter Sellers's character in Hal Ashby's film Being There.

The two financial prototypes for today's ultra-luxury towers were David Childs and Mustafa Kemal Abadan's Time Warner Center of 2000–2003 on Columbus Circle and Robert A.M. Stern's 15 Central Park West of 2005–2008, both a few blocks north of 57th Street. These condominiums were specifically designed to attract an emergent class of plutocrats who might have difficulty buying into Manhattan's most exclusive cooperative apartment buildings, whose boards of directors, unaccountable to antidiscrimination laws, routinely blackballed Jews, blacks, gays, single women, show business performers, or anyone they considered less than respectable.

The 1990s witnessed the high-tech, telecommunications, and dot-com booms, the rise of hedge funds, the denationalization of the former Soviet Union's natural resources, and the ascendance of China's state-controlled capitalism. Together all these developments radically altered standards of private wealth worldwide. In the top bracket there were said to be only fifty or so extremely desirable apartment houses in Manhattan, symptomatic of the oddly persistent scarcity of premium housing in America's financial hub. Here was a gaping hole at the high end of the market begging to be filled.

Although major fortunes have increasingly trumped religious, racial, or social biases, some co-ops require purchasers to have liquid assets equal to many multiples of an apartment's price, which has limited sales in them to an even smaller portion of the so-called top one percent. If you buy a co-op, you buy shares in the building; if you want to leave, it is up to you to sell the shares to someone who can pass the board. Conversely, if a condominium board turns down a sale it must buy back the apartment, an effective deterrent to rejection. Thus the offspring of deposed African dictators are as welcome at condos as Social Register scions, and this ease of access has attracted shady characters who'd never get board approval at the toniest old guard citadels.

Well after 15 Central Park West was completed, high-priced resales there continued to dominate the "Big Deals" column in The New York Times's Sunday real estate section, which celebrates each week's largest residential property closings. Until the recent $100 million blockbuster at One57, the most expensive apartment in town had been 15 Central Park West's penthouse, which former Citigroup CEO Sanford Weill sold in 2011 to a daughter of a Russian oligarch for $88 million. Weill more than doubled his investment four years after buying the full-floor flat for a then-record $42.4 million.

Nothing succeeds commercially like mimicry, and Stern's limestone-clad, neotraditional design for that building was closely modeled after the 1920s and 1930s apartment houses of Rosario Candela, the Sicilian-born architect whose uncommonly capacious, generously detailed apartments are widely judged the city's most coveted. (Last year's second-costliest New York residential transfer amounted to $71 million at Candela's legendary 740 Park Avenue.) 15 Central Park West has been nicknamed "the Limestone Jesus" because this $950 million endeavor was seen by many to have miraculously risen from the dead after the 2008 crash killed off several other grandiose development schemes.

The stupendous financial success of 15 Central Park West has brought Stern many more apartment building commissions, including 220 Central Park South, a condominium now in progress two blocks due north of Nordstrom—so due, in fact, that the buildings' respective developers waged a costly legal battle because 220 would have blocked Nordstrom's park views. The lawsuit was settled when each party agreed to shift its tower—Stern's to the west, Smith and Gill's to the east—and Extell received $194 million from the builder at 220 Central Park South for an adjoining Central Park South parking garage that allowed construction to proceed. The two broader elevations of Stern's building face east–west rather than north–south, and at 950 feet it will rank only tenth-highest among Manhattan skyscrapers. This late-Deco pastiche in some ways is preferable to the other new condos crowding the area, which, faute de mieux, indicates the generally low architectural state of New York's new housing for the super-rich.

The nascent Manhattan high-rise that has everyone talking is 432 Park Avenue, the skinny eighty-nine-story spire that soars above the northwest corner of East 56th Street and Park on the former site of the Drake Hotel. Set for completion this spring, it was designed by the Uruguayan-born, New York–based architect Rafael Viñoly. Now the highest residential structure in the Western Hemisphere at 1,397 feet, 432 Park is officially New York City's second-tallest building (after David Childs's inevitably symbolic if architecturally negligible One World Trade Center of 2005–2014). Actually, it's the loftiest by twenty-eight feet in habitable space, since a broadcasting mast accounts for the uppermost 408 feet of the Childs tower.

Many observers report being bemused, not to say unnerved, by the Viñoly building's strange ubiquitousness. Visible throughout all five boroughs and as far away as Long Island and New Jersey, it startles both visitors and natives with its thin looming omnipresence and seems to follow you around like a bad conscience. One doesn't hear much about 432 Park's design for the good reason that artistic niceties are almost beside the point in the mathematical conjuring that brought it and its peers into being. You could even say this structure resembles a three-dimensional balance sheet more than a fully articulated architectural façade.

While Stern clings to a passé postmodernism in much of his work, Viñoly hews closely to the reductive aesthetic of high modernism. The basically white exterior of 432 Park Avenue imparts a graphic feel accentuated by the flatness of the building's four identical sides, as well as the bold contrast between its dark glass windows (six large square panes per story) and white concrete panels that frame the minimalist fenestration. But what most sets this oddly disturbing composition apart is the way it shoots straight upward to its full, vertiginous height.

A rendering of Rafael Viñoly's condominium tower at 432 Park Avenue

Together with the building's relatively small footprint—ninety-three feet square (about one quarter the length of a football field)—this uninterrupted ascent approximates the proportions of a medieval defensive tower in an Italian hill town. The configuration was made possible by city regulations that waive upper-story "wedding cake" setback requirements—instituted in 1916 to prevent overbuilt Lower Manhattan streets from turning into lightless, airless canyons—but only if a building occupies no more than one quarter of its lot. Now that prices for Manhattan residences in prime locations have gone through the roof, it hardly seems wasteful to leave 75 percent of a plot empty on a $1 billion speculation like 432 Park.

Among this new breed of towers, design elements not directly tied to profit are often downgraded or eliminated as overall costs climb. For example, Portzamparc poetically predicted that the rippling glass exterior he initially planned for One57 would evoke a cascading waterfall. As executed, however, the flat surface of the building's variously blue, gray, and silver panes fades into a pixelated blur even from a short distance. With today's mathematically generated super-spires, it's best to paraphrase Mae West: "Architecture has nothing to do with it."

2

The convergent forces that have shaped this sudden juncture in Manhattan's architectural development were examined in "Sky High and the Logic of Luxury," an illuminating exhibition held at the Skyscraper Museum in New York just as these remarkable mutants were beginning to drastically alter the cityscape. If anything, this prescient overview—curated by Carol Willis, founding director of the museum and author of Form Follows Finance: Skyscrapers and Skylines in New York and Chicago 1—came a bit too prematurely to fully benefit from the dawning public awareness that a singular departure was upon us. As Willis wrote for the exhibition's wall texts:

> Beginning around 2012, sales of condos in ultra-luxury buildings reached $8,000–$10,000 per sq.ft. and in some cases even higher. These records have set a new standard that developers use to raise the budget for project expenses. The "logic of luxury" is the idea that high development costs for a project are good business strategy if they can produce extraordinary profits....
>
> Expensive land and air rights, "starchitect" design fees, special engineering and construction, extra-high ceilings, and abundant amenities all factor in a simple math that stratospheric sale prices justify....
>
> Sophisticated engineering and advances in material strengths have made these spindles possible, but it is the excited market for premium Manhattan real estate that is driving both heights and prices skyward. Predicated on Central Park views and other exceptional vistas, these aeries appeal to a distinct clientele to whom developers direct their marketing psychology.

Happily, Willis plans to write a book that will expand on this exhibition's findings, but she is not the only analyst to draw direct connections between the sudden emergence of this construction binge and the workings of high finance.

Today, more New York real estate than ever is held by absentee owners, and in at least five large Manhattan condominiums most units are not primary residences. Although many such pieds-à-terre are doubtless used by Americans, they are most attractive to foreign nationals eager to secure a foothold in the US in the event of trouble in their homelands. International capital flight has thus been the decisive impetus in this booming sector of the New York property market, as people from all over the world seek a politically stable and financially secure haven for themselves and their assets.

In February, The New York Times published "Towers of Secrecy," a five-part investigative series by Louise Story and Stephanie Saul that focused on condominium buyers from four countries (India, Malaysia, Mexico, and Russia) and revealed how clandestine ownership of apartments in the city's most expensive buildings is often abetted through shell companies, to say nothing of a veritable industry of New York City facilitators. For example, the reporters found that a majority of apartments in a half-dozen luxury condos are nominally owned through entities that are often obscure, including One57 (77 percent), Time Warner Center (64 percent), and 15 Central Park West (58 percent). And 58 percent of New York City condominiums are paid for entirely in cash, which makes buyers more untraceable because no mortgage documentation is involved. As Story and Saul write:

> An entire chain of people involved in high-end real estate sales—lawyers, accountants, title brokers, escrow agents, real estate agents, condo boards and building workers—often operate with blinders on. As Rudy Tauscher, a former manager of condos at Time Warner, said: "The building doesn't know where the money is coming from. We're not interested."

A report jointly issued in February by Wealth-X (a self-described "private wealth consultancy") and Sotheby's International Real Estate confirms that New York is the world's favorite refuge for second-home buyers from abroad (London is number two). The largest proportion of non-American purchasers of residential real estate in the city are British, contradicting conventional wisdom that Russians and Chinese are dominant. Although The New York Times recently reported that in the year ending in March 2014 Chinese buyers accounted for $22 billion in real estate sales in the US—almost one quarter of all purchases by foreigners—they prefer suburban houses to metropolitan apartments. According to one Sotheby's broker, "New York City is the concrete jungle, much like Beijing or Shanghai. Long Island offers fresh air, no pollution, the waterfront."

The stratospheric amounts now at stake in newly built Manhattan buildings perhaps can be best understood by comparison with today's contemporary art market, where multimillion-dollar paintings and sculptures have become favored instruments in the global transfer of vast and largely unregulated sums. The more expensive the object, the more money can be shifted internationally in one transaction, with the artworks themselves—mere markers to some degree—making a useful stopover at the Geneva Freeport, the tax-free air entrepôt in Switzerland used by dealers and collectors to reduce or eliminate import duties and value-added taxes. However, much as the new super-tall New York condos may serve that same general purpose, these are no works of art. If, as Goethe posited, architecture is frozen music, then these buildings are vertical money.

Interestingly, there's a clear architectural disparity between the bland billionaires' behemoths of Midtown North and the smaller, livelier, but scarcely inexpensive condominiums clustered around the High Line two miles to the southwest in Chelsea. Unlike the 57th Street corridor, where city planning loopholes have been cunningly exploited to capitalize on the immense profits to be reaped from supersized condominiums, areas adjacent to the High Line have not been "up-zoned." Greater building heights are largely confined to nearby north–south avenues.

The enormous popular success of the High Line and the arty cachet of its environs—the city's principal contemporary art galleries crowd the West 10s and 20s, and the Whitney Museum of American Art will open its new home at the elevated park's southern end this spring—have made this a much-sought-after neighborhood among affluent young creative sorts.2 As a result, developers have been willing to sponsor architecturally inventive schemes in Chelsea to appeal to an audience more aesthetically sophisticated than the cautious foreign investors who gravitate to blue-chip Midtown North.

The art world favorite Annabelle Selldorf has designed both galleries and apartments near the High Line. Developers particularly like Pritzker Prize winners for the implicit cultural validation they bring to a project, as Portzamparc did when Extell hired him to design One57. The Pritzker laureates Shigeru Ban and Jean Nouvel have built condominiums near the High Line, and foundations have been laid for a thirty-nine-unit condo by the award's 2004 recipient, Zaha Hadid, alongside it at 28th Street. Her swoopingly streamlined eleven-story composition—in a retro-futuristic style—is scheduled for completion in 2016 and will rival prices achieved in Midtown North if its penthouse sells for the reported $35 million asking price. That building's developer, Related Companies, has enlisted another Pritzker honoree, Rem Koolhaas, to do a building next to the High Line at West 18th Street.

In tandem with all this high-priced development, New York City housing since the turn of the millennium has become far less affordable (especially for young people, except for those who work in financial services or other highly lucrative fields). Last year the median price paid for dwellings in the city rose to a new high of $1.31 million, with more than seven thousand residences valued at $5 million or more. Gone are the days when aspiring writers, artists, actors, dancers, and other low-earning bohemians could count on finding a solo dwelling in Manhattan. Apart from the newfound fashionableness of Brooklyn—where the hippest sections are now prohibitively expensive—even the remotest reaches of the outer boroughs are being gentrified, and longtime tenants sometimes find themselves priced out of their own neighborhoods.

To combat this trend, New York State Senator Brad Hoylman of Manhattan last fall said he would sponsor a bill in the Albany legislature to impose a property tax surcharge on nonprimary residences in New York City valued at $5 million and higher, which one study says could generate some $665 million to subsidize low- and middle-income housing. Predictably, the city's powerful real estate industry—largely controlled by a few dozen family-owned firms, some with long-standing ties to politicians of both major parties—is up in arms over the idea, and thus the prospect of the bill's being approved by one of the country's more compromised state governments appears quite unlikely.

Nonetheless, this brave initiative is surely more equitable than incentives given to developers of Manhattan's new safe deposit boxes in the sky. As Charles V. Bagli reported in the Times in February, under New York City's Property Tax Exemption Program, known as 421a, the $100 million apartment at One57 qualified for a 95 percent tax cut worth about $360,000 this year. (Such abatements decrease over time and usually expire in twenty-five years or less.)

In return for these breaks, developers are required to create housing for low-income tenants, but fewer than 10 percent of new dwellings in the city have been earmarked as such. Some of those subsidized units are located in the new luxury towers themselves (though in a few instances are accessible only through a separate entrance that activists have scorned as "the poor door"). Developers can also support off-site affordable housing in order to qualify apartments for 421a status, as Extell did with One57 by underwriting sixty-six such units in the Bronx. However, in his 2015 State of the City address, Mayor Bill de Blasio asserted that "the city has for decades let developers write their own rules.... Sometimes projects included affordable housing...but far too often, they did not." He identified six neighborhoods outside Manhattan where developers would be compelled to build 80,000 units of affordable housing over the next decade, and twice that number of market-rate properties in general.

If the mayor's promises are kept, they come just in time. Lately in New York, no one has it as bad as the growing homeless population, estimated at nearly 68,000 in 2014—an increase of about 5 percent over the preceding year. And while homelessness nationwide has declined by about one third since 2010, it has risen by 21.5 percent in the city during the same period. None of these demographic shifts is accidental. During his twelve years in office, Mayor Michael Bloomberg repeatedly declared his intention to make New York—a municipality long renowned for turning generations of poor immigrants into middle-class taxpayers—into what the political blogger Alex Pareene has termed the billionaire businessman's "perfectly engineered technocratic dream city."

As Bloomberg said in 2013, "If we could get every billionaire around the world to move here it would be a godsend." In fact, he believes that economic inequality in the city is attributable not to growing poverty among the many but burgeoning wealth among the few:

> The reason [the income gap] is so big is that at the higher end we've been able to do something that none of these other cities can do, and that is attract a lot of the very wealthy from around the country and around the world. They are the ones that pay a lot of the taxes. They're the ones that spend a lot of money in the stores and restaurants and create a big chunk of our economy. And we take the tax revenues from those people to help people throughout the entire rest of the spectrum.

Such Reagan-era fantasies of trickle-down economics aside, Bloomberg's brand of wealth redistribution would seem more heavily weighted toward plutocrats than paupers. A dispassionate but ultimately critical analysis of the three-term mayor's grand vision for Darwinian upscale urbanism can be found in Bloomberg's New York: Class and Governance in the Luxury City by the anthropologist Julian Brash, which received insufficient attention when it was published four years ago.3 Brash shows that the mayor imagined the city

> as a place of competition, elite sociality, cosmopolitanism, and luxury, populated by ambitious, creative, hardworking, and intelligent innovators.... The Bloomberg Way constituted an effort to establish the dominance of the ascendant postindustrial elite vis-à-vis other social groupings in New York City.

This had, according to its critics on both the left and right, "deleterious effects...on small businesses, the middle class, and taxpayers."

Today's race to erect ever-higher, ever-more-luxurious Manhattan condominiums recalls the early-twentieth-century competition to win New York City bragging rights for the world's tallest building, as one record-breaking tower after another rose in dizzying succession. Yet not one of New York's postmillennial claimants to that lineage possesses an iota of the aesthetic élan that distinguished those early skyscrapers, internationally renowned as America's signal contribution to modern architectural form. Here one can point, for example, to the Woolworth, Chrysler, and Empire State buildings.

In contrast, the smokestack-like protuberances that now disrupt the skyline of midtown Manhattan signify the steadily widening worldwide gap between the unimaginably rich and the unconscionably poor. Those of us who believe that architecture invariably (and often unintentionally) embodies the values of the society that creates it will look upon these etiolated oddities less with wonder over their cunning mechanics than with revulsion over the larger, darker machinations they more accurately represent.

Berkshire – Past, Present and Future

Warren Buffett, Letter to Berkshire Shareholders, 2014

In the Beginning

On May 6, 1964, Berkshire Hathaway, then run by a man named Seabury Stanton, sent a letter to its shareholders offering to buy 225,000 shares of its stock for $11.375 per share. I had expected the letter; I was surprised by the price.

Berkshire then had 1,583,680 shares outstanding. About 7% of these were owned by Buffett Partnership Ltd. ("BPL"), an investing entity that I managed and in which I had virtually all of my net worth. Shortly before the tender offer was mailed, Stanton had asked me at what price BPL would sell its holdings. I answered $11.50, and he said, "Fine, we have a deal." Then came Berkshire's letter, offering an eighth of a point less. I bristled at Stanton's behavior and didn't tender.

That was a monumentally stupid decision.

Berkshire was then a northern textile manufacturer mired in a terrible business. The industry in which it operated was heading south, both metaphorically and physically. And Berkshire, for a variety of reasons, was unable to change course.

That was true even though the industry's problems had long been widely understood. Berkshire's own Board minutes of July 29, 1954, laid out the grim facts: "The textile industry in New England started going out of business forty years ago. During the war years this trend was stopped. The trend must continue until supply and demand have been balanced."

About a year after that board meeting, Berkshire Fine Spinning Associates and Hathaway Manufacturing – both with roots in the 19th Century – joined forces, taking the name we bear today. With its fourteen plants and 10,000 employees, the merged company became the giant of New England textiles. What the two managements viewed as a merger agreement, however, soon morphed into a suicide pact. During the seven years following the consolidation, Berkshire operated at an overall loss, and its net worth shrunk by 37%.

Meanwhile, the company closed nine plants, sometimes using the liquidation proceeds to repurchase shares. And that pattern caught my attention.

I purchased BPL's first shares of Berkshire in December 1962, anticipating more closings and more repurchases. The stock was then selling for $7.50, a wide discount from per-share working capital of $10.25 and book value of $20.20. Buying the stock at that price was like picking up a discarded cigar butt that had one puff remaining in it. Though the stub might be ugly and soggy, the puff would be free. Once that momentary pleasure was enjoyed, however, no more could be expected.

Berkshire thereafter stuck to the script: It soon closed another two plants, and in that May 1964 move, set out to repurchase shares with the shutdown proceeds. The price that Stanton offered was 50% above the cost of our original purchases. There it was – my free puff, just waiting for me, after which I could look elsewhere for other discarded butts.

Instead, irritated by Stanton's chiseling, I ignored his offer and began to aggressively buy more Berkshire shares.

By April 1965, BPL owned 392,633 shares (out of 1,017,547 then outstanding) and at an early-May board meeting we formally took control of the company. Through Seabury's and my childish behavior – after all, what was an eighth of a point to either of us? – he lost his job, and I found myself with more than 25% of BPL's capital invested in a terrible business about which I knew very little. I became the dog who caught the car.

Because of Berkshire's operating losses and share repurchases, its net worth at the end of fiscal 1964 had fallen to $22 million from $55 million at the time of the 1955 merger. The full $22 million was required by the textile operation: The company had no excess cash and owed its bank $2.5 million. (Berkshire's 1964 annual report is reproduced on pages 130-142.)

For a time I got lucky: Berkshire immediately enjoyed two years of good operating conditions. Better yet, its earnings in those years were free of income tax because it possessed a large loss carry-forward that had arisen from the disastrous results in earlier years.

Then the honeymoon ended. During the 18 years following 1966, we struggled unremittingly with the textile business, all to no avail. But stubbornness – stupidity? – has its limits. In 1985, I finally threw in the towel and closed the operation.

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Undeterred by my first mistake of committing much of BPL's resources to a dying business, I quickly compounded the error. Indeed, my second blunder was far more serious than the first, eventually becoming the most costly in my career.

Early in 1967, I had Berkshire pay $8.6 million to buy National Indemnity Company ("NICO"), a small but promising Omaha-based insurer. (A tiny sister company was also included in the deal.) Insurance was in my sweet spot: I understood and liked the industry.

Jack Ringwalt, the owner of NICO, was a long-time friend who wanted to sell to me – me, personally. In no way was his offer intended for Berkshire. So why did I purchase NICO for Berkshire rather than for BPL? I've had 48 years to think about that question, and I've yet to come up with a good answer. I simply made a colossal mistake.

If BPL had been the purchaser, my partners and I would have owned 100% of a fine business, destined to form the base for building the company Berkshire has become. Moreover, our growth would not have been impeded for nearly two decades by the unproductive funds imprisoned in the textile operation. Finally, our subsequent acquisitions would have been owned in their entirety by my partners and me rather than being 39%-owned by the legacy shareholders of Berkshire, to whom we had no obligation. Despite these facts staring me in the face, I opted to marry 100% of an excellent business (NICO) to a 61%-owned terrible business (Berkshire Hathaway), a decision that eventually diverted $100 billion or so from BPL partners to a collection of strangers.

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One more confession and then I'll go on to more pleasant topics: Can you believe that in 1975 I bought Waumbec Mills, another New England textile company? Of course, the purchase price was a "bargain" based on the assets we received and the projected synergies with Berkshire's existing textile business. Nevertheless – surprise, surprise – Waumbec was a disaster, with the mill having to be closed down not many years later.

And now some good news: The northern textile industry is finally extinct. You need no longer panic if you hear that I've been spotted wandering around New England.

Charlie Straightens Me Out

My cigar-butt strategy worked very well while I was managing small sums. Indeed, the many dozens of free puffs I obtained in the 1950s made that decade by far the best of my life for both relative and absolute investment performance.

Even then, however, I made a few exceptions to cigar butts, the most important being GEICO. Thanks to a 1951 conversation I had with Lorimer Davidson, a wonderful man who later became CEO of the company, I learned that GEICO was a terrific business and promptly put 65% of my $9,800 net worth into its shares. Most of my gains in those early years, though, came from investments in mediocre companies that traded at bargain prices. Ben Graham had taught me that technique, and it worked.

But a major weakness in this approach gradually became apparent: Cigar-butt investing was scalable only to a point. With large sums, it would never work well.

In addition, though marginal businesses purchased at cheap prices may be attractive as short-term investments, they are the wrong foundation on which to build a large and enduring enterprise. Selecting a marriage partner clearly requires more demanding criteria than does dating. (Berkshire, it should be noted, would have been a highly satisfactory "date": If we had taken Seabury Stanton's $11.375 offer for our shares, BPL's weighted annual return on its Berkshire investment would have been about 40%.)

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It took Charlie Munger to break my cigar-butt habits and set the course for building a business that could combine huge size with satisfactory profits. Charlie had grown up a few hundred feet from where I now live and as a youth had worked, as did I, in my grandfather's grocery store. Nevertheless, it was 1959 before I met Charlie, long after he had left Omaha to make Los Angeles his home. I was then 28 and he was 35. The Omaha doctor who introduced us predicted that we would hit it off – and we did.

If you've attended our annual meetings, you know Charlie has a wide-ranging brilliance, a prodigious memory, and some firm opinions. I'm not exactly wishy-washy myself, and we sometimes don't agree. In 56 years, however, we've never had an argument. When we differ, Charlie usually ends the conversation by saying: "Warren, think it over and you'll agree with me because you're smart and I'm right."

What most of you do not know about Charlie is that architecture is among his passions. Though he began his career as a practicing lawyer (with his time billed at $15 per hour), Charlie made his first real money in his 30s by designing and building five apartment projects near Los Angeles. Concurrently, he designed the house that he lives in today – some 55 years later. (Like me, Charlie can't be budged if he is happy in his surroundings.) In recent years, Charlie has designed large dorm complexes at Stanford and the University of Michigan and today, at age 91, is working on another major project.

From my perspective, though, Charlie's most important architectural feat was the design of today's Berkshire. The blueprint he gave me was simple: Forget what you know about buying fair businesses at wonderful prices; instead, buy wonderful businesses at fair prices.

Altering my behavior is not an easy task (ask my family). I had enjoyed reasonable success without Charlie's input, so why should I listen to a lawyer who had never spent a day in business school (when – ahem – I had attended three). But Charlie never tired of repeating his maxims about business and investing to me, and his logic was irrefutable. Consequently, Berkshire has been built to Charlie's blueprint. My role has been that of general contractor, with the CEOs of Berkshire's subsidiaries doing the real work as sub-contractors.

The year 1972 was a turning point for Berkshire (though not without occasional backsliding on my part – remember my 1975 purchase of Waumbec). We had the opportunity then to buy See's Candy for Blue Chip Stamps, a company in which Charlie, I and Berkshire had major stakes, and which was later merged into Berkshire.

See's was a legendary West Coast manufacturer and retailer of boxed chocolates, then annually earning about $4 million pre-tax while utilizing only $8 million of net tangible assets. Moreover, the company had a huge asset that did not appear on its balance sheet: a broad and durable competitive advantage that gave it significant pricing power. That strength was virtually certain to give See's major gains in earnings over time. Better yet, these would materialize with only minor amounts of incremental investment. In other words, See's could be expected to gush cash for decades to come.

The family controlling See's wanted $30 million for the business, and Charlie rightly said it was worth that much. But I didn't want to pay more than $25 million and wasn't all that enthusiastic even at that figure. (A price that was three times net tangible assets made me gulp.) My misguided caution could have scuttled a terrific purchase. But, luckily, the sellers decided to take our $25 million bid.

To date, See's has earned $1.9 billion pre-tax, with its growth having required added investment of only $40 million. See's has thus been able to distribute huge sums that have helped Berkshire buy other businesses that, in turn, have themselves produced large distributable profits. (Envision rabbits breeding.) Additionally, through watching See's in action, I gained a business education about the value of powerful brands that opened my eyes to many other profitable investments.

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Even with Charlie's blueprint, I have made plenty of mistakes since Waumbec. The most gruesome was Dexter Shoe. When we purchased the company in 1993, it had a terrific record and in no way looked to me like a cigar butt. Its competitive strengths, however, were soon to evaporate because of foreign competition. And I simply didn't see that coming.

Consequently, Berkshire paid $433 million for Dexter and, rather promptly, its value went to zero. GAAP accounting, however, doesn't come close to recording the magnitude of my error. The fact is that I gave Berkshire stock to the sellers of Dexter rather than cash, and the shares I used for the purchase are now worth about $5.7 billion. As a financial disaster, this one deserves a spot in the Guinness Book of World Records.

Several of my subsequent errors also involved the use of Berkshire shares to purchase businesses whose earnings were destined to simply limp along. Mistakes of that kind are deadly. Trading shares of a wonderful business – which Berkshire most certainly is – for ownership of a so-so business irreparably destroys value.

We've also suffered financially when this mistake has been committed by companies whose shares Berkshire has owned (with the errors sometimes occurring while I was serving as a director). Too often CEOs seem blind to an elementary reality: The intrinsic value of the shares you give in an acquisition must not be greater than the intrinsic value of the business you receive.

I've yet to see an investment banker quantify this all-important math when he is presenting a stock-for-stock deal to the board of a potential acquirer. Instead, the banker's focus will be on describing "customary" premiums-to-market-price that are currently being paid for acquisitions – an absolutely asinine way to evaluate the attractiveness of an acquisition – or whether the deal will increase the acquirer's earnings-per-share (which in itself should be far from determinative). In striving to achieve the desired per-share number, a panting CEO and his "helpers" will often conjure up fanciful "synergies." (As a director of 19 companies over the years, I've never heard "dis-synergies" mentioned, though I've witnessed plenty of these once deals have closed.) Post mortems of acquisitions, in which reality is honestly compared to the original projections, are rare in American boardrooms. They should instead be standard practice.

I can promise you that long after I'm gone, Berkshire's CEO and Board will carefully make intrinsic value calculations before issuing shares in any acquisitions. You can't get rich trading a hundred-dollar bill for eight tens (even if your advisor has handed you an expensive "fairness" opinion endorsing that swap).

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Overall, Berkshire's acquisitions have worked out well – and very well in the case of a few large ones. So, too, have our investments in marketable securities. The latter are always valued on our balance sheet at their market prices so any gains – including those unrealized – are immediately reflected in our net worth. But the businesses we buy outright are never revalued upward on our balance sheet, even when we could sell them for many billions of dollars more than their carrying value. The unrecorded gains in the value of Berkshire's subsidiaries have become huge, with these growing at a particularly fast pace in the last decade.

Listening to Charlie has paid off.

Berkshire Today

Berkshire is now a sprawling conglomerate, constantly trying to sprawl further.

Conglomerates, it should be acknowledged, have a terrible reputation with investors. And they richly deserve it. Let me first explain why they are in the doghouse, and then I will go on to describe why the conglomerate form brings huge and enduring advantages to Berkshire.

Since I entered the business world, conglomerates have enjoyed several periods of extreme popularity, the silliest of which occurred in the late 1960s. The drill for conglomerate CEOs then was simple: By personality, promotion or dubious accounting – and often by all three – these managers drove a fledgling conglomerate's stock to, say, 20 times earnings and then issued shares as fast as possible to acquire another business selling at ten-or-so times earnings. They immediately applied "pooling" accounting to the acquisition, which – with not a dime's worth of change in the underlying businesses – automatically increased per-share earnings, and used the rise as proof of managerial genius. They next explained to investors that this sort of talent justified the maintenance, or even the enhancement, of the acquirer's p/e multiple. And, finally, they promised to endlessly repeat this procedure and thereby create ever-increasing per-share earnings.

Wall Street's love affair with this hocus-pocus intensified as the 1960s rolled by. The Street's denizens are always ready to suspend disbelief when dubious maneuvers are used to manufacture rising per-share earnings, particularly if these acrobatics produce mergers that generate huge fees for investment bankers. Auditors willingly sprinkled their holy water on the conglomerates' accounting and sometimes even made suggestions as to how to further juice the numbers. For many, gushers of easy money washed away ethical sensitivities.

Since the per-share earnings gains of an expanding conglomerate came from exploiting p/e differences, its CEO had to search for businesses selling at low multiples of earnings. These, of course, were characteristically mediocre businesses with poor long-term prospects. This incentive to bottom-fish usually led to a conglomerate's collection of underlying businesses becoming more and more junky. That mattered little to investors: It was deal velocity and pooling accounting they looked to for increased earnings.

The resulting firestorm of merger activity was fanned by an adoring press. Companies such as ITT, Litton Industries, Gulf & Western, and LTV were lionized, and their CEOs became celebrities. (These once-famous conglomerates are now long gone. As

Yogi Berra said, "Every Napoleon meets his Watergate.")

Back then, accounting shenanigans of all sorts – many of them ridiculously transparent – were excused or overlooked. Indeed, having an accounting wizard at the helm of an expanding conglomerate was viewed as a huge plus: Shareholders in those instances could be sure that reported earnings would never disappoint, no matter how bad the operating realities of the business might become.

In the late 1960s, I attended a meeting at which an acquisitive CEO bragged of his "bold, imaginative accounting." Most of the analysts listening responded with approving nods, seeing themselves as having found a manager whose forecasts were certain to be met, whatever the business results might be.

Eventually, however, the clock struck twelve, and everything turned to pumpkins and mice. Once again, it became evident that business models based on the serial issuances of overpriced shares – just like chain-letter models – most assuredly redistribute wealth, but in no way create it. Both phenomena, nevertheless, periodically blossom in our country – they are every promoter's dream – though often they appear in a carefully-crafted disguise. The ending is always the same: Money flows from the gullible to the fraudster. And with stocks, unlike chain letters, the sums hijacked can be staggering.

At both BPL and Berkshire, we have never invested in companies that are hell-bent on issuing shares. That behavior is one of the surest indicators of a promotion-minded management, weak accounting, a stock that is overpriced and – all too often – outright dishonesty.

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So what do Charlie and I find so attractive about Berkshire's conglomerate structure? To put the case simply: If the conglomerate form is used judiciously, it is an ideal structure for maximizing long-term capital growth.

One of the heralded virtues of capitalism is that it efficiently allocates funds. The argument is that markets will direct investment to promising businesses and deny it to those destined to wither. That is true: With all its excesses, market-driven allocation of capital is usually far superior to any alternative.

Nevertheless, there are often obstacles to the rational movement of capital. As those 1954 Berkshire minutes made clear, capital withdrawals within the textile industry that should have been obvious were delayed for decades because of the vain hopes and self-interest of managements. Indeed, I myself delayed abandoning our obsolete textile mills for far too long.

A CEO with capital employed in a declining operation seldom elects to massively redeploy that capital into unrelated activities. A move of that kind would usually require that long-time associates be fired and mistakes be admitted. Moreover, it's unlikely that CEO would be the manager you would wish to handle the redeployment job even if he or she was inclined to undertake it.

At the shareholder level, taxes and frictional costs weigh heavily on individual investors when they attempt to reallocate capital among businesses and industries. Even tax-free institutional investors face major costs as they move capital because they usually need intermediaries to do this job. A lot of mouths with expensive tastes then clamor to be fed – among them investment bankers, accountants, consultants, lawyers and such capital-reallocators as leveraged buyout operators. Money-shufflers don't come cheap.

In contrast, a conglomerate such as Berkshire is perfectly positioned to allocate capital rationally and at minimal cost. Of course, form itself is no guarantee of success: We have made plenty of mistakes, and we will make more. Our structural advantages, however, are formidable.

At Berkshire, we can – without incurring taxes or much in the way of other costs – move huge sums from businesses that have limited opportunities for incremental investment to other sectors with greater promise. Moreover, we are free of historical biases created by lifelong association with a given industry and are not subject to pressures from colleagues having a vested interest in maintaining the status quo. That's important: If horses had controlled investment decisions, there would have been no auto industry.

Another major advantage we possess is the ability to buy pieces of wonderful businesses – a.k.a. common stocks. That's not a course of action open to most managements. Over our history, this strategic alternative has proved to be very helpful; a broad range of options always sharpens decision-making. The businesses we are offered by the stock market every day – in small pieces, to be sure – are often far more attractive than the businesses we are concurrently being offered in their entirety. Additionally, the gains we've realized from marketable securities have helped us make certain large acquisitions that would otherwise have been beyond our financial capabilities.

In effect, the world is Berkshire's oyster – a world offering us a range of opportu-

nities far beyond those realistically open to most companies. We are limited, of course, to businesses whose economic prospects we can evaluate. And that's a serious limitation: Charlie and I have no idea what a great many companies will look like ten years from now. But that limitation is much smaller than that borne by an executive whose experience has been
confined to a single industry. On top of that, we can profitably scale to a far larger size than the many businesses that are constrained by the limited potential of the single industry in which they operate.

I mentioned earlier that See's Candy had produced huge earnings compared to its modest capital requirements. We would have loved, of course, to intelligently use those funds to expand our candy operation. But our many attempts to do so were largely futile. So, without incurring tax inefficiencies or frictional costs, we have used the excess funds generated by See's to help purchase other businesses. If See's had remained a stand-alone company, its earnings would have had to be distributed to investors to redeploy, sometimes after being heavily depleted by large taxes and, almost always, by significant frictional and agency costs.

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Berkshire has one further advantage that has become increasingly important over the years: We are now the home of choice for the owners and managers of many outstanding businesses.

Families that own successful businesses have multiple options when they contemplate sale. Frequently, the best decision is to do nothing. There are worse things in life than having a prosperous business that one understands well. But sitting tight is seldom recommended by Wall Street. (Don't ask the barber whether you need a haircut.) When one part of a family wishes to sell while others wish to continue, a public offering often makes sense. But, when owners wish to cash out entirely, they usually consider one of two paths.

The first is sale to a competitor who is salivating at the possibility of wringing "synergies" from the combining of the two companies. This buyer invariably contemplates getting rid of large numbers of the seller's associates, the very people who have helped the owner build his business. A caring owner, however – and there are plenty of them – usually does not want to leave his long-time associates sadly singing the old country song: " She got the goldmine, I got the shaft."

The second choice for sellers is the Wall Street buyer. For some years, these purchasers accurately called themselves "leveraged buyout firms." When that term got a bad name in the early 1990s – remember RJR and Barbarians at the Gate? – these buyers hastily relabeled themselves "private-equity."

The name may have changed but that was all: Equity is dramatically reduced and debt is piled on in virtually all private-equity purchases. Indeed, the amount that a private-equity purchaser offers to the seller is in part determined by the buyer assessing the maximum amount of debt that can be placed on the acquired company.

Later, if things go well and equity begins to build, leveraged buy-out shops will often seek to re-leverage with new borrowings. They then typically use part of the proceeds to pay a huge dividend that drives equity sharply downward, sometimes even to a negative figure.

In truth, "equity" is a dirty word for many private-equity buyers; what they love is debt. And, because debt is currently so inexpensive, these buyers can frequently pay top dollar. Later, the business will be resold, often to another leveraged buyer. In effect, the business becomes a piece of merchandise.

Berkshire offers a third choice to the business owner who wishes to sell: a permanent home, in which the company's people and culture will be retained (though, occasionally, management changes will be needed). Beyond that, any business we acquire dramatically increases its financial strength and ability to grow. Its days of dealing with banks and Wall Street analysts are also forever ended.

Some sellers don't care about these matters. But, when sellers do, Berkshire does not have a lot of competition.

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Sometimes pundits propose that Berkshire spin-off certain of its businesses. These suggestions make no sense. Our companies are worth more as part of Berkshire than as separate entities. One reason is our ability to move funds between businesses or into new ventures instantly and without tax. In addition, certain costs duplicate themselves, in full or part, if operations are separated. Here's the most obvious example: Berkshire incurs nominal costs for its single board of directors; were our dozens of subsidiaries to be split off, the overall cost for directors would soar. So, too, would regulatory and administration expenditures.

Finally, there are sometimes important tax efficiencies for Subsidiary A because we own Subsidiary B. For example, certain tax credits that are available to our utilities are currently realizable only because we generate huge amounts of taxable income at other Berkshire operations. That gives Berkshire Hathaway Energy a major advantage over most public-utility companies in developing wind and solar projects.

Investment bankers, being paid as they are for action, constantly urge acquirers to pay 20% to 50% premiums over market price for publicly-held businesses. The bankers tell the buyer that the premium is justified for "control value" and for the wonderful things that are going to happen once the acquirer's CEO takes charge. (What acquisition-hungry manager will challenge that assertion?)

A few years later, bankers – bearing straight faces – again appear and just as earnestly urge spinning off the earlier acquisition in order to "unlock shareholder value." Spin-offs, of course, strip the owning company of its purported "control value" without any compensating payment. The bankers explain that the spun-off company will flourish because its management will be more entrepreneurial, having been freed from the smothering bureaucracy of the parent company. (So much for that talented CEO we met earlier.)

If the divesting company later wishes to reacquire the spun-off operation, it presumably would again be urged by its bankers to pay a hefty "control" premium for the privilege. (Mental "flexibility" of this sort by the banking fraternity has prompted the saying that fees too often lead to transactions rather than transactions leading to fees.)

It's possible, of course, that someday a spin-off or sale at Berkshire would be required by regulators. Berkshire carried out such a spin-off in 1979, when new regulations for bank holding companies forced us to divest a bank we owned in Rockford, Illinois.

Voluntary spin-offs, though, make no sense for us: We would lose control value, capital-allocation flexibility and, in some cases, important tax advantages. The CEOs who brilliantly run our subsidiaries now would have difficulty in being as effective if running a spun-off operation, given the operating and financial advantages derived from Berkshire's ownership. Moreover, the parent and the spun-off operations, once separated, would likely incur moderately greater costs than existed when they were combined.

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Before I depart the subject of spin-offs, let's look at a lesson to be learned from a conglomerate mentioned earlier: LTV. I'll summarize here, but those who enjoy a good financial story should read the piece about Jimmy Ling that ran in the October

1982 issue of D Magazine. Look it up on the Internet.

Through a lot of corporate razzle-dazzle, Ling had taken LTV from sales of only $36 million in 1965 to number 14 on the Fortune 500 list just two years later. Ling, it should be noted, had never displayed any managerial skills. But Charlie told me long ago to never underestimate the man who overestimates himself. And Ling had no peer in that respect.

Ling's strategy, which he labeled "project redeployment," was to buy a large company and then partially spin off its various divisions. In LTV's 1966 annual report, he explained the magic that would follow: "Most importantly, acquisitions must meet the test of the 2 plus 2 equals 5 (or 6) formula." The press, the public and Wall Street loved this sort of talk.

In 1967 Ling bought Wilson & Co., a huge meatpacker that also had interests in golf equipment and pharmaceuticals. Soon after, he split the parent into three businesses, Wilson & Co. (meatpacking), Wilson Sporting Goods and Wilson Pharmaceuticals, each of which was to be partially spun off. These companies quickly became known on Wall Street as Meatball, Golf Ball and Goof Ball.

Soon thereafter, it became clear that, like Icarus, Ling had flown too close to the sun. By the early 1970s, Ling's empire was melting, and he himself had been spun off from LTV . . . that is, fired.

Periodically, financial markets will become divorced from reality – you can count on that. More Jimmy Lings will appear. They will look and sound authoritative. The press will hang on their every word. Bankers will fight for their business. What they are saying will recently have "worked." Their early followers will be feeling very clever. Our suggestion: Whatever their line, never forget that 2+2 will always equal 4. And when someone tells you how old-fashioned that math is --- zip up your wallet, take a vacation and come back in a few years to buy stocks at cheap prices.

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Today Berkshire possesses (1) an unmatched collection of businesses, most of them now enjoying favorable economic prospects; (2) a cadre of outstanding managers who, with few exceptions, are unusually devoted to both the subsidiary they operate and to Berkshire; (3) an extraordinary diversity of earnings, premier financial strength and oceans of liquidity that we will maintain under all circumstances; (4) a first-choice ranking among many owners and managers who are contemplating sale of their businesses and (5) in a point related to the preceding item, a culture, distinctive in many ways from that of most large companies, that we have worked 50 years to develop and that is now rock-solid.

These strengths provide us a wonderful foundation on which to build.

The Next 50 Years at Berkshire

Now let's take a look at the road ahead. Bear in mind that if I had attempted 50 years ago to gauge what was coming, certain of my predictions would have been far off the mark. With that warning, I will tell you what I would say to my family today if they asked me about Berkshire's future.

First and definitely foremost, I believe that the chance of permanent capital loss for patient Berkshire shareholders is as low as can be found among single-company investments. That's because our per-share intrinsic business value is almost certain to advance over time.

This cheery prediction comes, however, with an important caution: If an investor's entry point into Berkshire stock is unusually high – at a price, say, approaching double book value, which Berkshire shares have occasionally reached – it may well be many years before the investor can realize a profit. In other words, a sound investment can morph into a rash speculation if it is bought at an elevated price. Berkshire is not exempt from this truth.

Purchases of Berkshire that investors make at a price modestly above the level at which the company would repurchase its shares, however, should produce gains within a reasonable period of time. Berkshire's directors will only authorize repurchases at a price they believe to be well below
intrinsic value. (In our view, that is an essential criterion for repurchases that is often ignored by other managements.)

For those investors who plan to sell within a year or two after their purchase, I can offer no assurances, whatever the entry price. Movements of the general stock market during such abbreviated periods will likely be far more important in determining your results than the concomitant change in the intrinsic value of your Berkshire shares. As Ben Graham said many decades ago: "In the short-term the market is a voting machine; in the long-run it acts as a weighing machine." Occasionally, the voting decisions of investors – amateurs and professionals alike – border on lunacy.

Since I know of no way to reliably predict market movements, I recommend that you purchase Berkshire shares only if you expect to hold them for at least five years. Those who seek short-term profits should look elsewhere.

Another warning: Berkshire shares should not be purchased with borrowed money. There have been three times since 1965 when our stock has fallen about 50%

from its high point. Someday, something close to this kind of drop will happen again, and no one knows when. Berkshire will almost certainly be a satisfactory holding for investors. But it could well be a disastrous choice for speculators employing leverage.

I believe the chance of any event causing Berkshire to experience financial problems is essentially zero. We will always be prepared for the thousand-year flood; in fact, if it occurs we will be selling life jackets to the unprepared. Berkshire played an important role as a "first responder" during the 2008-2009 meltdown, and we have since more than doubled the strength of our balance sheet and our earnings potential. Your company is the Gibraltar of American business and will remain so.

Financial staying power requires a company to maintain three strengths under all circumstances: (1) a large and reliable stream of earnings; (2) massive liquid assets and (3) no significant near-term cash requirements. Ignoring that last necessity is what usually leads companies to experience unexpected problems: Too often, CEOs of profitable companies feel they will always be able to refund maturing obligations, however large these are. In 2008-2009, many managements learned how perilous that mindset can be.

Here's how we will always stand on the three essentials. First, our earnings stream is huge and comes from a vast array of businesses. Our shareholders now own many large companies that have durable competitive advantages, and we will acquire more of those in the future. Our diversification assures Berkshire's continued profitability, even if a catastrophe causes insurance losses that far exceed any previously experienced.

Next up is cash. At a healthy business, cash is sometimes thought of as something to be minimized – as an unproductive asset that acts as a drag on such markers as return on equity. Cash, though, is to a business as oxygen is to an individual: never thought about when it is present, the only thing in mind when it is absent.

American business provided a case study of that in 2008. In September of that year, many long-prosperous companies suddenly wondered whether their checks would bounce in the days ahead. Overnight, their financial oxygen disappeared.

At Berkshire, our "breathing" went uninterrupted. Indeed, in a three-week period spanning late September and early October, we supplied $15.6 billion of fresh money to American businesses.

We could do that because we always maintain at least $20 billion – and usually far more – in cash equivalents. And by that we mean U.S. Treasury bills, not other substitutes for cash that are claimed to deliver liquidity and actually do so, except when it is truly needed. When bills come due, only cash is legal tender. Don't leave home without it.

Finally – getting to our third point – we will never engage in operating or investment practices that can result in sudden demands for large sums. That means we will not expose Berkshire to short-term debt maturities of size nor enter into derivative contracts or other business arrangements that could require large collateral calls.

Some years ago, we became a party to certain derivative contracts that we believed were significantly mispriced and that had only minor collateral requirements. These have proved to be quite profitable. Recently, however, newly-written derivative contracts have required full collateralization. And that ended our interest in derivatives, regardless of what profit potential they might offer. We have not, for some years, written these contracts, except for a few needed for operational purposes at our utility businesses.

Moreover, we will not write insurance contracts that give policyholders the right to cash out at their option. Many life insurance products contain redemption features that make them susceptible to a "run" in times of extreme panic. Contracts of that sort, however, do not exist in the property-casualty world that we inhabit. If our premium volume should shrink, our float would decline – but only at a very slow pace.

The reason for our conservatism, which may impress some people as extreme, is that it is entirely predictable that people will occasionally panic, but not at all predictable when this will happen. Though practically all days are relatively uneventful, tomorrow is always uncertain. (I felt no special apprehension on December 6, 1941 or September 10, 2001.) And if you can't predict what tomorrow will bring, you must be prepared for whatever it does.

A CEO who is 64 and plans to retire at 65 may have his own special calculus in evaluating risks that have only a tiny chance of happening in a given year. He may, in fact, be "right" 99% of the time. Those odds, however, hold no appeal for us. We will never play financial Russian roulette with the funds you've entrusted to us, even if the metaphorical gun has 100 chambers and only one bullet. In our view, it is madness to risk losing what you need in pursuing what you simply desire.

Despite our conservatism, I think we will be able every year to build the underlying per-share earning power of Berkshire. That does not mean operating earnings will increase each year – far from it. The U.S. economy will ebb and flow – though mostly flow – and, when it weakens, so will our current earnings. But we will continue to achieve organic gains, make bolt-on acquisitions and enter new fields. I believe, therefore, that Berkshire will annually add to its underlying earning power.

In some years the gains will be substantial, and at other times they will be minor. Markets, competition, and chance will determine when opportunities come our way. Through it all, Berkshire will keep moving forward, powered by the array of solid businesses we now possess and the new companies we will purchase. In most years, moreover, our country's economy will provide a strong tailwind for business. We are blessed to have the United States as our home field.

The bad news is that Berkshire's long-term gains – measured by percentages, not by dollars – cannot be dramatic and will not come close to those achieved in the past 50 years. The numbers have become too big.

I think Berkshire will outperform the average American company, but our advantage, if any, won't be great.

Eventually – probably between ten and twenty years from now – Berkshire's earnings and capital resources will reach a level that will not allow management to intelligently reinvest all of the company's earnings. At that time our directors will need to determine whether the best method to distribute the excess earnings is through dividends, share repurchases or both. If Berkshire shares are selling below intrinsic business value, massive repurchases will almost certainly be the best choice. You can be comfortable that your directors will make the right decision.

No company will be more shareholder-minded than Berkshire. For more than 30 years, we have annually reaffirmed our Shareholder Principles (see page 117), always leading off with: "Although our form is corporate, our attitude is partnership." This covenant with you is etched in stone.

We have an extraordinarily knowledgeable and business-oriented board of directors ready to carry out that promise of partnership. None took the job for the money: In an arrangement almost non-existent elsewhere, our directors are paid only token fees. They receive their rewards instead through ownership of Berkshire shares and the satisfaction that comes from being good stewards of an important enterprise.

The shares that they and their families own – which, in many cases, are worth very substantial sums – were purchased in the market (rather than their materializing through options or grants). In addition, unlike almost all other sizable public companies, we carry no directors and officers liability insurance. At Berkshire, directors walk in your shoes.

To further ensure continuation of our culture, I have suggested that my son, Howard, succeed me as a non-executive Chairman. My only reason for this wish is to make change easier if the wrong CEO should ever be employed and there occurs a need for the Chairman to move forcefully. I can assure you that this problem has a very low probability of arising at Berkshire – likely as low as at any public company. In my service on the boards of nineteen public companies, however, I've seen how hard it is to replace a mediocre CEO if that person is also Chairman. (The deed usually gets done, but almost always very late.)

If elected, Howard will receive no pay and will spend no time at the job other than that required of all directors. He will simply be a safety valve to whom any director can go if he or she has concerns about the CEO and wishes to learn if other directors are expressing doubts as well. Should multiple directors be apprehensive, Howard's chairmanship will allow the matter to be promptly and properly addressed.

Choosing the right CEO is all-important and is a subject that commands much time at Berkshire board meetings. Managing Berkshire is primarily a job of capital allocation, coupled with the selection and retention of outstanding managers to captain our operating subsidiaries. Obviously, the job also requires the replacement of a subsidiary's CEO when that is called for. These duties require Berkshire's CEO to be a rational, calm and decisive individual who has a broad understanding of business and good insights into human behavior. It's important as well that he knows his limits. (As Tom Watson, Sr. of IBM said, "I'm no genius, but I'm smart in spots and I stay around those spots.")

Character is crucial: A Berkshire CEO must be "all in" for the company, not for himself. (I'm using male pronouns to avoid awkward wording, but gender should never decide who becomes CEO.) He can't help but earn money far in excess of any possible need for it. But it's important that neither ego nor avarice motivate him to reach for pay matching his most lavishly-compensated peers, even if his achievements far exceed theirs. A CEO's behavior has a huge impact on managers down the line: If it's clear to them that shareholders' interests are paramount to him, they will, with few exceptions, also embrace that way of thinking.

My successor will need one other particular strength: the ability to fight off the ABCs of business decay, which are arrogance, bureaucracy and complacency. When these corporate cancers metastasize, even the strongest of companies can falter. The examples available to prove the point are legion, but to maintain friendships I will exhume only cases from the distant past.

In their glory days, General Motors, IBM, Sears Roebuck and U.S. Steel sat atop huge industries. Their strengths seemed unassailable. But the destructive behavior I deplored above eventually led each of them to fall to depths that their CEOs and directors had not long before thought impossible. Their one-time financial strength and their historical earning power proved no defense.

Only a vigilant and determined CEO can ward off such debilitating forces as Berkshire grows ever larger. He must never forget Charlie's plea: "Tell me where I'm going to die, so I'll never go there." If our non-economic values were to be lost, much of Berkshire's economic value would collapse as well. "Tone at the top" will be key to maintaining Berkshire's special culture.

Fortunately, the structure our future CEOs will need to be successful is firmly in place. The extraordinary delegation of authority now existing at Berkshire is the ideal antidote to bureaucracy. In an operating sense, Berkshire is not a giant company but rather a collection of large companies. At headquarters, we have never had a committee nor have we ever required our subsidiaries to submit budgets (though many use them as an important internal tool). We don't have a legal office nor departments that other companies take for granted: human relations, public relations, investor relations, strategy, acquisitions, you name it.

We do, of course, have an active audit function; no sense being a damned fool. To an unusual degree, however, we trust our managers to run their operations with a keen sense of stewardship. After all, they were doing exactly that before we acquired their businesses. With only occasional exceptions, furthermore, our trust produces better results than would be achieved by streams of directives, endless reviews and layers of bureaucracy. Charlie and I try to interact with our managers in a manner consistent with what we would wish for, if the positions were reversed.

Our directors believe that our future CEOs should come from internal candidates whom the Berkshire board has grown to know well. Our directors also believe that an incoming CEO should be relatively young, so that he or she can have a long run in the job. Berkshire will operate best if its CEOs average well over ten years at the helm. (It's hard to teach a new dog old tricks.) And they are not likely to retire at 65 either (or have you noticed?).

In both Berkshire's business acquisitions and large, tailored investment moves, it is important that our counterparties be both familiar with and feel comfortable with Berkshire's CEO. Developing confidence of that sort and cementing relationships takes time. The payoff, though, can be huge.

Both the board and I believe we now have the right person to succeed me as CEO – a successor ready to assume the job the day after I die or step down. In certain important respects, this person will do a better job than I am doing.

Investments will always be of great importance to Berkshire and will be handled by several specialists. They will report to the CEO because their investment decisions, in a broad way, will need to be coordinated with Berkshire's operating and acquisition programs. Overall, though, our investment managers will enjoy great autonomy. In this area, too, we are in fine shape for decades to come. Todd Combs and Ted Weschler, each of whom has spent several years on Berkshire's investment team, are first-rate in all respects and can be of particular help to the CEO in evaluating acquisitions.

All told, Berkshire is ideally positioned for life after Charlie and I leave the scene. We have the right people in place – the right directors, managers and prospective successors to those managers. Our culture, furthermore, is embedded throughout their ranks. Our system is also regenerative. To a large degree, both good and bad cultures self-select to perpetuate themselves. For very good reasons, business owners and operating managers with values similar to ours will continue to be attracted to Berkshire as a one-of-a-kind and permanent home.

I would be remiss if I didn't salute another key constituency that makes Berkshire special: our shareholders. Berkshire truly has an owner base unlike that of any other giant corporation. That fact was demonstrated in spades at last year's annual meeting, where the shareholders were offered a proxy resolution:

> RESOLVED: Whereas the corporation has more money than it needs and since the owners unlike Warren are not multi billionaires, the board shall consider paying a meaningful annual dividend on the shares.

The sponsoring shareholder of that resolution never showed up at the meeting, so his motion was not officially proposed. Nevertheless, the proxy votes had been tallied, and they were enlightening.

Not surprisingly, the A shares – owned by relatively few shareholders, each with a large economic interest – voted "no" on the dividend question by a margin of 89 to 1.

The remarkable vote was that of our B shareholders. They number in the hundreds of thousands – perhaps even totaling one million – and they voted 660,759,855 "no" and 13,927,026 "yes," a ratio of about 47 to 1.

Our directors recommended a "no" vote but the company did not otherwise attempt to influence shareholders. Nevertheless, 98% of the shares voting said, in effect, "Don't send us a dividend but instead reinvest all of the earnings." To have our fellow owners – large and small – be so in sync with our managerial philosophy is both remarkable and rewarding.

I am a lucky fellow to have you as partners.

全面深化改革的进展与挑战

吴敬琏, 财经年刊 2015预测与战略

2014年是“全面深化改革元年”，新一轮改革按照中共十八届三中全会制定的总体设计和路线图渐次展开。

一、全面深化改革需要更大的政治勇气和智慧

根据十八大全面深化改革的战略部署，2013年11月，中共十八届三中全会通过了《中共中央关于全面深化改革若干重大问题的决定》，确定了全面深化改革的总体设计和路线图。

《决定》指出，“经济体制改革是全面深化改革的重点”，要“紧紧围绕使市场在资源配置中起决定性作用深化经济体制改革”，为了给市场发挥决定性作用提供体制基础，提出了建设“统一、开放、竞争、有序的市场体系”的宏大任务。《决定》提出的336项具体改革项目中，大多是围绕着这一任务部署的。

十八届三中全会为全面深化改革作出了既高瞻远瞩又切实可行的总体设计和战略部署，但是这并不意味着从此改革就可以一帆风顺，因为在新的历史起点上全面推进改革必然遇到多方面的阻力和障碍。

第一，来自意识形态的障碍。中国过去照搬苏联模式，僵化、保守的苏式意识形态影响深远。虽然按照邓小平的中国特色社会主义理论进行了30多年的改革，但是现在很多人仍然尊奉苏联特色的社会主义为正宗，而且动辄以此作为衡量标准，批评中国改革，以此来动摇1978年十一届三中全会以来形成的市场化、法治化、民主化的改革共识。虽然直接批评和质疑新一轮改革方案的人并不多，但是不能掉以轻心。

另外也要注意，有些人其实是打着意识形态的旗号来保护自己的特殊既得利益。所以，必须坚持来之不易的改革共识，大刀阔斧地推进全面改革。

第二，来自特殊既得利益的阻力。在改革开放的过程中，几乎绝大多数中国人都得到了现实的利益。但是有一类既得利益，不是从市场化改革得来，而是靠不改革和反改革得来的。具体地说，就是靠手中的配置资源的行政权力发财致富。从现在已经揭露出来的案例可以看出，贪官污吏在不改革中获得了惊人的特殊既得利益。这些人当然会想方设法对全面深化改革设置各种障碍，或者极力扭曲改革措施。

第三，现代市场经济是一个巨大而精致的体系，建立现代市场经济体系是一件很复杂的事情。为了建设现代市场经济体系，一些国家花了几百年。甚至有人

说花了上千年的时间，从公元1000年左右就开始了。中国要在这么短的时间里建立起现代市场经济体系，自然会发生知识准备不足等问题。

第四，现实的社会经济困难。因为过去长时期计划经济体制和粗放的经济发展方式下，中国经济积累起来很多实际的困难。现在要推进改革，就要直面这些现实困难，妥善加以处理，不可能“绕着红灯走”。

总之，我们必须对改革实际推进的难度有充分的思想准备。来自旧的意识形态和特殊既得利益的阻力和障碍，不仅有很雄厚的政治经济力量，而且以“左”的意识形态“拉大旗作虎皮”，气势汹汹，没有巨大的政治勇气，是很难冲破这些阻力和障碍的。

建立现代市场经济体系，是一件非常繁重细致的伟大工程，面临许多现实问题和困难，所以需要巨大的智慧。这种智慧包括两个方面，一个是专业能力。比如说搞利率市场化，就要进行一系列的准备工作，要有专业能力；一个是操作艺术，因为具体操作层面的问题很多，如何增加助力减少阻力，就要讲究工作技巧和处理方式。

二、如何应对现实经济困难

毋庸讳言，当前经济环境下推进全面改革存在着一些挑战。现实的经济困难主要表现在以下几个方面：第一，资源短缺和环境恶化加剧；第二，经济增长进入下行通道，GDP增长乏力；第三，产能过剩，企业销售不畅，部分企业资金紧张，甚至发生资金链断裂。最后，所有这些问题最集中的表现，则是国民资产负债表的杠杆率太高，金融风险加速积累。这也是对中国经济持续稳定发展的一个最大威胁。

对于如何化解风险，业界和学术界有两种基本的意见。

一种意见主张采取强刺激政策，放松银根，增加投资，拉升GDP增长率。持这种观点的人士认为，中国的优势就是拥有强大的政府，完全可以依靠政府主导的刺激政策和大规模投资维持十年二十年8%以上的高增长率。采取这种办法的好处是能够在短期内拉升增长率，但是它势必减弱改革的动力，妨碍效率提高、结构优化和经济发展方式的转型。而且货币和资金的大量注入，还会导致国民资产负债表杠杆率进一步提高。

国民资产负债表有三个部分：一部分是家庭资产负债表，另一部分是各级政府资产负债表，再一部分是企业资产负债表。

这次世界金融危机，本质上也是资产负债表危机。在西方国家，主要是家庭资产负债率高和政府资产负债率高，企业的资产负债表在经过几年调整以后情况

较好。

和西方国家情况不一样，中国的家庭资产负债率并不太高，但是各级政府的资产负债表的杠杆率相当高，总额据说达到二三十万亿元。

更高的是企业的资产负债率。目前国民资产负债表的负债率增长得很快，已经占到GDP的250%以上。国际经验表明，在负债率过高的情况下，一旦遇到外部冲击，就很容易引发危机。

世界金融危机以后，西方国家都在去杠杆化，恢复资产负债表的健康。但是，中国却在不断地加速杠杆化，因此，发生系统性风险的危险也逐步加大。

还值得注意的是，2009年以来，中国多次采取刺激政策，而其拉升GDP增长率的时效越来越短。今年二季度以来刺激的强度并不小，但效果不彰，这表明所谓“投资报酬递减规律”的作用已经显现出来。

许多经济学家不赞成继续采取强刺激的老办法，而是主张在保证不发生系统性风险的前提下，集中主要力量推动改革，通过改革来解决效力提高和结构优化等根本问题。

虽然这种办法可能使得中国GDP增长率降到7%甚至更低，但是GDP增速不是最重要的，最重要的是保就业、保民生，而保就业、保民生不是靠增加投资就能做好的。如果我们通过改革，成功地转变经济发展方式，即使GDP增长率低一些，只要效率得到提高，劳动、收入和消费就能够得到较快增加，中国发展就能够转入良性循环的轨道。

人们对后一种主张会提出两个疑问：第一，我们是否有能力在不大量“放水”的情况下控制住系统性风险，避免“崩盘”的发生？第二，全面深化改革能否从根本上解决中国面临的现实问题？

为了控制风险，我建议立即采取以下措施：第一，停止低回报和没有回报的无效措施。

第二，停止对“僵尸企业”输血。这些企业并无起死回生的希望，靠政府补贴或银行贷款维持生存，徒然消耗社会资源，加大整体的金融风险。

第三，动用国有资本偿还政府的或有负债，如社会保障资金缺口。十八届三中全会明确规定，要划拨一部分国有资本充实社会保障基金，现在应该赶快动作。

第四，对资不抵债的企业实施破产重整，停止“刚性兑付”，以便化大震为小

震，释放风险。

第五，盘活由于粗放增长方式造成的资产存量。在上述基础上，再辅之以灵活的财政货币政策，是能够维持宏观经济基本稳定，避免发生系统性风险的。

关于第二方面的疑问，我认为，从最近几年的情况看，我们应该对改革能够解决问题抱有信心。

现在人们对于GDP增速下降似乎过于担心。其实，中国政府领导人说得正确，保就业、保民生才是最重要的。最近几年的实际情况是，我国的GDP增长率从2011年的9.3%、2012年的7.8%、2013年的7.7%下降到2014年三季度的7.3%，但就业情况却反向而行，得到了改善。2013年原定完成的城镇就业目标是900万人，执行结果却是1310万人，超额45%完成任务。

出现增长与就业反向变化的原因在于，GDP增速和就业率不是线性关系，问题在于增长的结构。近年来就业状况不断改善的主要原因，是第三产业（服务业）的发展加速。

中国政府早在2005年制定“十一五”规划时就提出，通过发展服务业来转变经济增长方式、提高效率。但是，整个“十一五”期间成效不大，本来已经比重过大的第二产业继续以超过第三产业的增速加快发展。但是2012年第三产业的发展开始加速，2013年第三产业的增长率超过了第二产业，使得第三产业在GDP中的比重第一次超过了第二产业。第三产业主要就是一些小型的服务业，它们吸收就业的能力非常强。所以这几年GDP增速在下降，就业情况却在改善。

那么为什么近三年服务业能够加速发展呢？

看来，主要得益于两项改革：第一项是营业税改增值税。这本来是减低税收负担的一项措施，有人认为意义不大，因为总体来说税负减少并不多，有些行业甚至还会增加。

其实“营改增”的最主要的功能不是减负，而是促进分工的深化。正如亚当·斯密所说，经济发展的主要推动力量是分工。“营改增”大大促进了服务业的分工深化，创造了许多新就业岗位。

第二项是工商登记制度改革。降低准入门槛、减少筹建成本、主动简政放权等带来的政策红利不断释放。民间创业热情高涨，新登记注册市场主体“井喷式”增长，产业结构不断优化。这两项改革只是小试牛刀，虽然还不足以确立有较高效率的中速增长新常态，但它有力地证明，全面深化改革是解决深层矛盾和开辟柳暗花明新境界的唯一坦途。

总之，虽然中国经济面对着风险，但是现在还在可控范围之内。只要采取措施来阻塞漏洞，防止风险积累，加上灵活的财政货币政策，维持宏观经济的基本稳定，我们也完全有能力控制风险，争取时间来推进改革。只要通过改革建立一个好的体制，加快经济发展方式转变，就完全有可能从根本上解决困扰中国经济社会发展的症结问题。

三、期盼建设法治中国有序推进

新一轮改革以经济体制改革为重点，但十八届三中全会的《决定》也对配套的政治体制改革进行了部署。由于建立法治是政治体制改革最容易取得成效的途径，所以十八届三中全会提出“坚持依法治国、依法执政、依法行政共同推进，坚持法治国家、法治政府、法治社会一体建设”。这是首次提出“法治中国”的概念，并围绕“建设法治中国”的目标提出了一系列具体改革措施。

在过去的一年里，司法改革有序推进：推动省以下地方法院、检察院人财物统一管理，探索建立与行政区划适当分离的司法管辖制度，保证国家法律统一正确实施。

显然，这对于“司法地方化”的偏向具有强烈的现实针对性。另外，完善对违法犯罪行为的惩治和矫正法律，健全社区矫正制度等，也多有亮点。

更值得关注的是，为了防止和杜绝党员领导干部带头破坏法治、以个人意志代替党纪国法的恶劣现象，执政党内开始重视党内制度建设，颁布了《中央党内法规制定工作五年规划纲要(2013—2017年)》，一大批党内制度酝酿起草。

特别是，以八项规定为起始的整饬作风，以“打虎拍蝇”为主题的反腐风暴高压推进，获得了民众支持与赞许。

当然，如中央纪委书记王岐山所说，当前反腐以治标为主，为治本赢得时间。反腐需要标本兼治，所以社会各界民众都期待通过更为完备的制度构筑权力之“笼”，规划反腐“治本”之道。

10月初，中共十八届四中全会通过了《中共中央关于全面推进依法治国若干重大问题的决定》，阐述了全面推进依法治国的总目标和重大任务，将如何全面落实依法治国基本方略具体化，明确了“建设法治中国”的路线图。

《决定》明确指出，“坚持依法治国首先要坚持依宪治国，坚持依法执政首先要坚持依宪执政”。这是最大的突破。《决定》还提出，“完善全国人大及其常委会宪法监督制度，健全宪法解释程序机制”，这也是重大进步，可以弥补过去宪法监督制度方面存在的欠缺。而且设立“国家宪法日”，对于弘扬宪法精神具有重要意义。

值得注意的是，《决定》中确认“市场经济的本质是法治经济”。法治是非人格化交换占统治地位的发达市场经济所必需的制度支撑，因而实行法治乃是实现经济繁荣的必要条件。所以，多年来经济学家和法学家多年以来呼吁“法治的市场经济”。

此外，还有约束权力方面的内容，比如重大决策终身责任追究制度；司法改革方面的内容，从律师中招录立法工作者，建立领导干部干预司法活动、插手具体案件处理的记录、通报和责任追究制度等等，四中全会都提出了原则性、总体性的安排和部署。

四中全会的这些改革措施如果能够得到贯彻，将有助于推进国家治理体系的现代化，向着建设法治国家的目标迈进。

十八届三中全会通过的《中共中央关于全面深化改革若干重大问题的决定》提出，“到2020年，在重要领域和关键环节改革上取得决定性成果，形成系统完备、科学规范、运行有效的制度体系，使各方面制度更加成熟更加定型。”这意味着未来六年里中国改革任务繁重，而且国内外的不确定因素很多，全面深化改革必然会面对一系列挑战。

但是过去30多年的历史表明，只要坚定不移地推进改革，就能够克服前进道路上的困难，不断推动中国社会进步。如果社会各界同心戮力，严格按照十八届三中全会制定的改革总体设计和路线图去努力，坚持改革不动摇，那么一个更加成熟的市场经济体制框架和现代国家治理体系终将建立起来，中华民族的腾飞也必将成为现实。