

# What the devil has gotten into Omaha 'wizard' Warren Buffett?

by Herbert Quinde

Hearings by four congressional committees into the U.S. Treasury bond market scandal are scheduled for September, and "investment genius" Warren Buffett, who recently stepped in as chairman of Salomon Brothers, Inc. is to be the star witness, according to congressional sources. Despite having a kind of cult following in the financial community which has earned him the title "Wizard of Omaha," Buffett has managed to keep a very low profile and, according to his friends, he likes it that way.

So it is all the more surprising that Buffett has leapt, seemingly head first, into the limelight.

On Aug. 18, soon after having assumed the chairmanship of Salomon Brothers, Inc., Buffett gave Treasury Secretary Nicholas Brady personal assurances, telling him that he "would do the best I could . . . and do whatever was needed to dig out anything about what has happened in the past, and make things exactly right in the future."

A week earlier, Salomon chief John Gutfreund and three other top executives had resigned, admitting that the firm had violated multiple rules that govern the auctions of Treasury securities, including artificially jacking up the interest rates of the government securities. The increase in the rate means that the U.S. government is paying more on its debt service, which translates into more being taken out of the taxpayer's pocket. The violations are being investigated by the Securities and Exchange Commission (SEC), the Justice Department, and the Federal Reserve. The Treasury securities market has long been considered the cleanest place to gamble with one's money, and Salomon was the leader of the pack.

Besides the move to Salomon Brothers, Inc., of which he owns close to 14%, Buffett has been called upon to rescue two other institutions in July and August. On Aug. 8, the U.S. Federal Reserve Bank granted approval for Buffett to increase his investment in Wells Fargo Bank, from his current 9.7% share to 22%. Wells Fargo, according to bank analysts, is "brain dead" and technically insolvent. It is alleged by informed observers to be one of the nation's most illiquid banks, with huge loan losses in real estate. Why would a prominent investor seek to buy controlling interest in such a bank?

The question is all the more puzzling because only 10 days earlier, Buffett announced that he was investing \$300

million to help out American Express, the troubled parent of Wall Street investment firm Shearson Lehman Hutton. Such high-risk ventures would seem inappropriate for the man portrayed in the *Wall Street Journal* as the country's most successful "old-fashioned conservative" investor. Buffett has "repeatedly castigated Wall Street brokerages for encouraging speculation from which they profit on commissions generated from frequent buying and selling. He also has been critical of the speculative bent of many institutional investors," reported UPI on Aug. 20.

## Second richest man in the U.S.

Buffett sure seems to have deep pockets. Or does he? London financial sources report speculation that Buffett may be acting as a front man for Saudi money which is being covertly funneled into the United States as part of a Bush administration effort to prop up selected firms and the faltering financial markets until after the 1992 presidential elections. Although there is no independent confirmation of Buffett's involvement, it is well known that since the early days of the Iran-Contra affair, through Operation Desert Storm and its aftermath, the Saudi royal family has acted as a piggy bank for CIA covert operations.

UBS Phillips and Drew's *Oil Market Outlook*, a London-based newsletter, made reference to the story in its June 26 issue, about a month before Buffett announced he was making a big investment in American Express. "There is a rumor," writes the newsletter, ". . . that a large financial house (don't leave home without it) has been discreetly setting up front companies to channel Saudi (presumably royal family) funds into U.S. financial markets. The recent strength of the dollar does little to repudiate the rumor."

But others dismiss the rumor and point to Buffett's substantial personal and corporate wealth. Buffett is rated as the second richest man in the United States and among the top 20 billionaires internationally, according to *Fortune* magazine. Berkshire Hathaway, Inc., Buffett's holding company, has a very limited number of shares issued and is the highest priced issue on the New York Stock Exchange. A single share is priced in the \$8,500 range. Buffett holds 42% of Berkshire, which pays no dividends and eschews stock splits in order to discourage speculative investors.

Either way, Buffett is a big player. When Rep. Henry Gonzalez (D-Tex.), chairman of the House Banking Committee, called on Federal Reserve chairman Alan Greenspan to suspend Salomon from trading government securities until the federal investigation was completed, it was Treasury Secretary Brady who personally intervened to keep Salomon from being entirely blacklisted.

Unlike Ivan Boesky and Michael Milken, the meanies of the 1980s "Decade of Greed," the Omaha-based billionaire is known as "Mr. Clean." The media have touted Buffett as the "White Knight" in these times of trouble, who "brings with him an air of assurance that few others in American finance—or any aspect of American life—can claim today," as the *Washington Post* characterized him. Buffett has been a member of the SEC's advisory council on corporate disclosure, among other high-minded activity on behalf of the financial establishment. Now he is putting his prestige on the line in the seedy Salomon affair.

### Buffett's buddies

But Buffett's ability to help Secretary Brady straighten things out seems to derive more from knowing where the bodies are buried, than from his "magical" powers for infallible investments. Some speculate that the secret to the success of Berkshire Hathaway is Buffett's access to Washington intelligence and political circles.

Among his influential friends are former Secretary of State Henry Kissinger, who has served on the board of American Express along with Anne Armstrong of the President's Foreign Intelligence Advisory Board, and former President Gerald Ford. Harold Andersen, publisher of the *Omaha World Herald*, a nationally influential Republican, member of the Council on Foreign Relations, governor of the Kansas City Federal Reserve, and president of the World Freedom Press Committee is a personal friend and business associate. Buffett is the personal financial adviser to Katharine Graham, the publisher of the *Washington Post*.

From his early days in the investing business, Buffett has been an associate of Walter Schloss, a Wall Street investment wizard who runs a \$70 million private investment partnership. Schloss is the treasurer of Freedom House, the neo-conservative think tank which was a favorite of the late CIA director William Casey and which often has been accused of being a front for CIA covert operations. Buffett's image as an investment genius was created by John Train, a Wall Street "spook" banker and investment counselor. Train, who played a central role in coordinating a campaign of libel and slander against presidential candidate Lyndon H. LaRouche, published two books, *The Money Masters* and *The Midas Touch*, which hyped Buffett. Train is also a financial angel to Freedom House. Leo Cherne, for more than two decades a permanent fixture as vice chairman of the President's Foreign Intelligence Advisory Board, and the man who gave Casey his first job out of college, is honorary chairman of the Free-

dom House think tank.

Buffett is also "tight" with Dwayne Andreas, another corporate heavy who is playing a very important behind-the-scenes role in the Bush administration's reckless policy toward the Soviet Union. Andreas and his business associates are in line to make a killing when grain prices soar in response to the expected emergency mobilization to feed the Russian people this winter.

Andreas, who is chairman of Archer Daniels Midland Co. (ADM), a premier grain cartel member, sits on Salomon Brothers, Inc.'s board of directors with Buffett. In July, ADM announced that Howard Buffett, son of the "Wizard," was joining the grain company's board of directors. Although a virtual nobody in the corporate world, except for being son of Daddy Buffett, Howard Buffett is replacing Robert Strauss, recently appointed U.S. ambassador to Moscow, on ADM's powerful board.

The move seems to indicate that Buffett and Andreas are further closing ranks in hopes of bleeding the Russian economy of whatever loot is still there. Salomon already has its hands in the Russian financial scene. On Aug. 19 the London *Financial Times* reported that Russian Federation state bank head Georgy Matiukhin said that he had "received a proposal from Salomon Brothers, which says it can form a consortium of banks to buy the Soviet foreign debt and turn it into long-term bonds which can then be distributed among the republics." It remains to be seen whether Russia will want scandal-ridden Salomon playing around with its \$62 billion debt.

### Pedophiles and satanists

If the Salomon scandal were not enough, there are allegations that Buffett is linked to a pedophile scandal in his home state of Nebraska. Buffett may turn out to have more skeletons in his closet than Milwaukee serial killer Jeffrey Dahmer.

Buffett was one of the early sponsors of the political and business career of former Republican Party influential and Reagan-Bush campaign activist Lawrence E. King, Jr., according to sources and published reports. Presently King is serving a 15-year federal prison sentence for defrauding an Omaha-based federal credit union. The magazines *Avvenimenti* of Italy and *Pronto* of Spain, among others, have exposed King for running a national child prostitution ring that serviced the political and business elite of both Republican and Democratic parties. Child victims of King's operations have charged him with participating in at least one satanic ritual murder of a child several years ago.

King's money machinations not only involved the Iran-Contra affair, but King seems to have provided the CIA with information garnered from his activities as a "pimp" for the high and mighty.

Buffett, who is not known as much of a party-goer, hosted a wedding anniversary celebration for King and his wife in his home.