

## Buffett Compares Wall Street Casino Culture to Church Raffles - Bloomberg

Written by Administrator

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Warren Buffett, chairman of Berkshire Hathaway Inc. Photographer: Nelson Ching/Bloomberg

[Warren Buffett](#), the billionaire chairman of [Berkshire Hathaway Inc.](#), said Wall Street is like a church that benefits society, then falters by operating a gambling venture on the side.

Wall Street “does a lot of good things and then it has this casino,” Buffett, 80, said today at Fortune magazine’s Most Powerful Women conference in Washington. “It’s like a church that’s running raffles on the weekend.”

Buffett relies on investment banks to [help finance](#) acquisitions such as his \$27 billion purchase of railroad Burlington Northern Santa Fe and to offer derivative contracts that allow him to speculate on stock markets. Omaha, Nebraska- based Berkshire invested \$5 billion in [Goldman Sachs Group Inc.](#)

in 2008 at the depths of the credit crisis. Buffett has also faulted Wall Street for excessive bets on U.S. housing.

“People have a propensity to gamble, and it gets made easier and easier for them,” Buffett said. “One of the problems we still have is we have unbalanced incentives for managers of huge financial institutions.”

Buffett has called for greater accountability from bank executives whose risk-taking produces losses for shareholders and imperils the economy. The use of derivatives has allowed banks to add risk and “makes a mockery” of federal rules designed to limit losses, Buffett said. “You should go broke,” he said of chief executive officers whose firms require government bailouts to protect society.

‘Your Wife Should Go Broke’

“And I think your wife should go broke, too,” he said.

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Berkshire, where Buffett serves as CEO, weathered the financial crisis without taking a capital injection from the U.S. government. Some of Berkshire's biggest investment holdings took bailouts, including Goldman Sachs, the most profitable Wall Street firm, which got \$10 billion in taxpayer funds. [Wells Fargo & Co.](#), which counts Berkshire as its biggest investor, got \$25 billion.

Buffett reiterated praise for financial-company bailouts, and said government's treatment of shareholders won't create a so-called moral hazard in the equities market. Stockholders of companies including insurer [American International Group Inc.](#) and Citigroup Inc. lost at least 90 percent of their investments, Buffett said.

"The common shareholders did not get bailed out of those institutions, they lost hundreds and hundreds and hundreds of billions," Buffett said. "There is no moral hazard in terms of big financial company stockholders."

Goldman Sachs

Goldman Sachs and San Francisco-based Wells Fargo repaid their U.S. rescues.

Buffett built an [equity portfolio](#) of about \$55 billion by buying and holding stocks of companies that he believes have durable competitive advantages. Berkshire is the largest investor in Coca-Cola Co. and [American Express Co.](#)

His investment in Goldman Sachs came with warrants that enable him to buy \$5 billion of the company's stock at \$115 a share, compared with yesterday's closing price of \$146.57. Exercising the option at that price would generate a profit of more than \$1.3 billion.

Buffett's pronouncements on markets and on the economy are watched by policy makers and investors. Buffett, the world's third-richest person, oversees more than 200,000 [employees](#) at Berkshire and the company's more than 70 subsidiaries. At the conference today, he said his businesses are "coming back" after the recession. When asked for his outlook on equity and fixed-income markets, Buffett said investors buying bonds after yields fell this year "are making

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a mistake.”

“It’s quite clear that stocks are cheaper than bonds,” Buffett said. “I can’t imagine anyone having bonds in their portfolio when they can own equities.”

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