# The spreading web of George Soros

*Can one person be a rapacious speculator and a selfless philanthropist? Scott Thompson traces the geopolitical profile of a fast-rising Hungarian-American.*

Last September, financial manager George Soros was among the leading figures whose currency speculation against the British pound and the Italian lira wrecked the European Exchange Rate Mechanism (ERM). In the process of this debauched manipulation of the derivatives market, Soros pocketed between $1 and $2 billion. Before 1992 was out, Soros embarked on a spree of unheralded bounty, endowing a network of foundations in 19 countries in central and eastern Europe.

No doubt, western Europe was badly weakened, especially at its Franco-German core; but did eastern Europe gain? Is Mr. Soros a computer-age Robin Hood, robbing the haves in order to rain largesse on the have-nots? Or is something less amiable afoot, something with its own appalling logic, in which even George Soros may be a pawn?

While his exact gains from the currency market depredations are unknown, estimates of Soros's loot are astronomical. According to the Jan. 2-3, 1993 issue of the London *Financial Times,* "He bet heavily against ERM and won $2 billion."

The *New York Times* reported Oct. 27, "The Hungarian-American financier George Soros made a profit of almost $1 billion during last month's devaluation of the British pound by betting heavily the currency would collapse despite government assurances.

"In an interview reported today in the *Times* of London, Mr. Soros said he had borrowed heavily to take his stand against the pound because he was confident the German Bundesbank wanted devaluations in Britain and Italy, but not in France. In the weeks leading up to Sept. 16, known as Black Wednesday in Britain, Mr. Soros sold pounds, betting $10 billion that Prime Minister John Major would fail to keep the currency above its floor in Europe's Exchange Rate Mechanism.

"He won, and Mr. Major lost. The onslaught of currency speculators forced Mr. Major to pull the pound out of the European Community's system for regulating the value of the community's national currencies."

## Germany was the target

It would appear on the surface that the victim of George Soros's runs on the pound and the lira was primarily Britain. But like many things about Mr. Soros, the superficial impression misleads. Expert observers say the actual target was Germany and secondarily France, the key nations for realizing a Eurasian economic recovery effort strong enough to resist Anglo-American financial looting. Soros has made clear in his writings, like his 1991 book, *Underwriting Democracy,* that he considers a Europe in which Germany is hegemonic to be the most dangerous outcome of the revolution of 1989. Informed sources report Soros may have been "leaked" details of how much money the Bundesbank, Germany's central bank, was prepared to spend to prop up the two weakest European currencies in the run-up to the French vote on Sept. 19 on the Maastricht Treaty. Using leveraged loans, Soros raised $40 billion to outspend the Germans. How?

A speculator like Soros is able to borrow on a margin of 5%, borrowing $1 billion for just $50 million. The lira fell from 765 to the deutschemark to 980 in September, providing a 28% profit. But with 20:1 leverage, a trader like Soros could have made 20 times the 28%, or 560%—$280 million on an investment of $50 million.

Who would give Soros such favorable rates? Informed sources, again, report that Soros is backed by the Mossad (Israeli foreign intelligence) and the resources of the Zionist apparatus in the world financial community. Soros's own operations—such as the Quantum Fund—operate in offshore dirty money laundromats like the Netherlands Antilles and Macao. Soros is also reportedly close to the New York Federal Reserve Bank, especially its recently resigned head E. Gerald Corrigan. The New York Federal Reserve Bank keeps a pulse-beat reading on global currency markets, and frequently intervenes. European sources suggest that Corrigan's sudden exit after Soros's raid on the pound and the lira may be related to reports that the New York Fed was involved in the speculative orgy.

## Spreading the largesse

George Soros oversees a web of foundations in central and eastern Europe, spun off his original Open Society Fund, founded in 1979. Following his usurious gains in western currency markets, he has doled out large sums of money for a variety of causes:

- On Dec. 9, Soros announced the creation of the $100 million **International Science Foundation for the Former Soviet Union.** The announcement was made by Soros in Washington and Dr. Boris G. Saltykov, deputy prime minister of the Russian Federation, in Moscow. Soros said: "The scientific culture in the former Soviet Union is threatened by the collapse of the economies of that region. The purpose of this foundation will be to reverse deterioration of scholarly professions in these states, to preserve scientific excellence were it exists, and to create a more open system of organization and financing of fundamental research and science education." The foundation will be administered by a board of directors of leading international scientists. One of its goals is to "apply new methods of science funding to encourage science professionals to remain active in their native countries." (This seems to be a response to the scare about Soviet scientists selling the secrets of weapons of mass destruction abroad.) Again, the fact sheet states: "Additional financial resources will be sought from government and private sources in the U.S. and other industrialized countries; European and Japanese participation will be particularly welcomed."

- On Dec. 18, Soros announced that he was giving "the biggest private donation ever made to an international humanitarian cause" by donating $50 million for Bosnian support aid. The money is to be administered by the United Nations High Commissioner for Refugees. Initial allocations were to go to several private voluntary organizations, including Save the Children Fund Alliance, Médecins sans Frontières (Doctors without Borders), the International Rescue Committee, and Oxfam. The title of the program is **An Appeal for Security in Bosnia,** and the board of advisers to U.N. High Commissioner Sadako Ogata will include former U.N. High Commissioner for Refugees Prince Sadruddin Aga Khan and the president of the Carnegie Endowment for International Peace, Ambassador Morton Abramowitz.

- On Jan. 5, Soros announced a $25 million revolving loan to the government of the Republic of Macedonia (Makedonija), earmarked for purchasing heating oil and other urgent needs the country has to survive through the winter. In the press statement, Soros is quoted: "The government of Macedonia is a coalition of moderate Macedonians and Albanians. It is trying very hard to preserve a multi-ethnic society, but is threatened from all sides: Macedonian extremists on one side, Albanian extremists on the other; the present Yugoslav government has a great interest in fomenting trouble and the Greek government seems intent on preventing an independent Macedonia from existing at all. The lack of heat and other economic hardships are exacerbating ethnic tensions. If there is conflict in Macedonia, it is likely to degenerate into a general Balkan war; on the other hand, if a multi-ethnic society can survive there, it would help contain the turmoil that has engulfed the region. The time to recognize Macedonia is now. Why must we always wait until conflict actually breaks out before we act." Soros established the **Open Society Fund of Macedonia** in August 1992.

These causes sound benign enough. But Mr. Soros's philanthropy sows a huge debt of gratitude in Russia, ex-Yugoslavia, and the old Soviet satellites. May we not suspect that it will be harvested by creating new targets for the Anglo-American speculative thievery in which Soros himself excels—in the name of the "open society"?

## The open society of Sir Karl Popper

To test this hunch, let us examine our subject's intellectual pedigree. George Soros, a Hungarian-born American Jew, is a protégé of Sir Karl Popper, the high priest of postwar Aristotelian ideology, whom Soros met while a student at the Fabian Society's London School of Economics. In *Underwriting Democracy,* Soros recounts:

"I had approached the crisis in eastern Europe with a well-developed set of ideas about how societies work and how they change. . . . I formulated it first as a student at the London School of Economics in the 1950s. At that time, I had just left Hungary, which had come under Soviet domination, and I was preoccupied with the differences between the closed social system I wanted to get away from and the open one I had chosen to live in. I was greatly influenced by the philosophy of Karl Popper and to a lesser extent by the free-market views of Friedrich Hayek. I had finished my courses in two years and I had a third to wait before the degree was conferred on me. I used that opportunity in 1952-53 to submit some essays to Popper, and I continued to develop my ideas while working first in London and then in New York. Eventually, I gave up philosophy and devoted myself to making money."

Except for the later addition of some of the more overtly lunatic ideas of "chaos theory" from physics, Soros traces his entire theory of "open" and "closed" societies to his tutelage under Karl Popper. The "open society" is Popper's model of a "free market of ideas" in a value-free society. Value-free means hostile to the Platonic outlook in Augustinian Christianity, by which every human individual has sacred rights, starting with the right to life.

The British Aristotelian Society, which Popper dominated since the war, has argued that the Athenians were right to execute Socrates for having engaged the youth of Athens in the search for the truth and the good. From such premises, the British Aristotelian Society has fought every leader furthering human progress by Socrates' method, down to the present. Indeed, Popper lies that the influence of Plato was to blame for Nazism.

Yet the "anti-authoritarian" Popper, like his mentor Aristotle, does not object to coercion if it is aimed against human life. In an interview published in Germany in March 1992, Sir Karl blamed environmental ills on "the population explosion," which "we have to solve in an ethical way. Only children that are really wanted must be born. . . . People that don't want the children must be given the means not to get them. The means do exist now, I mean the abortion pill." He voiced "optimism" that the Catholic Church would support euthanasia in such "reasonable" instances as rape or AIDS babies, or babies born in the Third World without a chance of survival.

Should abortions and euthanasia prove too slow, there's always military force. Popper blamed a large part of the developing sector's crisis on the "political stupidity" of its leaders. "We have liberated these states too early and in a too primitive way. These are no-law states yet. The same would happen if you'd leave a kindergarten to itself." He argued that the "civilized world" has all the right to launch wars against the Third World for the sake of "peace."

Sir Karl's pupil Soros claims to recognize that economic depression breeds totalitarian regimes. Yet he has helped unleash the very von Hayek-modeled "shock therapy" austerity regimes that are destroying all hope of recovery of the collapsed former communist economies. Soros is a financial manager, who deals in the esoteric realm of derivatives—e.g., currency speculation—and his writings show the most perverse contempt for physical-economic principles.

The obstinacy suggests that George Soros is not just out for himself, but fronts for an Anglo-American geopolitical faction bent on strangling economic development. Take his collaboration with the shady Mark Palmer. It began, according to John Train's *The New Money Masters,* when Palmer was U.S. ambassador to Hungary, and backed a management-training center in an old castle outside Budapest known as the Central European University. Palmer had to resign as ambassador in a major conflict-of-interest scandal, and evaded prosecution through the equivalent of a plea bargain. Today he is executive officer of the Central European Development Corp. (CEDC). Informed sources report that through the CEDC, Palmer—also close to Kissinger Associates—is working to contain any potential development role for Germany, by seeding central and eastern Europe with Anglo-American financial institutions. Not surprisingly, in a 1991 interview, Palmer sharply opposed Lyndon LaRouche's proposal for a Productive Triangle plan which would join Paris, Berlin, and Vienna by high-speed rail links, and transform the region into an industrial engine to drive the development of the Eurasian continent as a whole.

## Sachsmaniac

Soros had a big hand in creating the Polish model of "shock therapy" which has so ruined the economy, that many Polish voters are turning back in desperation to the communists. In his book, Soros boasts of being a major funder of babyfaced Harvard economist Jeffrey Sachs, whom he introduced into economic policy debates in Poland and the Soviet Union. Soros writes of Poland:

"I considered it essential to demonstrate that the political transformation [from a closed to an open society] could result in economic improvement: Poland was the place where this could be accomplished. . . . I prepared the broad outlines of a comprehensive economic program. It had three ingredients: monetary stabilization, structural changes, and debt reorganization. I argued that the three objectives could be accomplished better in combination than separately. That was particularly true for industrial reorganization and debt reorganization since they represented opposite sides of the national balance sheet. I proposed a kind of macroeconomic debt-for-equity swap. . . .

"I joined forces with Prof. Jeffrey Sachs of Harvard University, who was advocating a similar program, and sponsored his work in Poland through the Stefan Batory Foundation. He created a tremendous stir with his ideas and became a very controversial figure, but he succeeded in focusing the debate on the right issues. I also worked closely with Prof. Stanislaw Gomulka, who became the adviser to the new finance minister, Leszek Balcerowicz, and was in the end more influential than Professor Sachs."

According to Soros, this combination developed a "radical approach." "Balcerowicz stuck to his guns and presented a radical program of monetary stabilization at the International Monetary Fund meeting in Washington. The IMF approved, and the program went into effect on Jan. 1, 1990. It was very tough on the population, but people were willing to take a lot of pain in order to see real change."

Soros's complaint is that not enough pain was inflicted on the Poles through this "shock" approach, because of the failure to shut down less efficient factories and leave their work forces jobless. In *Underwriting Democracy,* he states: "Take the case of Poland. The government acted very courageously; indeed, the stabilization program had some of the earmarks of a Polish cavalry charge. Inflation has been reduced but the outcome still hangs in the balance because structural adjustment is slow in coming. Production has fallen by 30%, but employment has fallen by only 3%. This means the entrenched management of state enterprises is using the respite it gained from wage claims to improve its profit margins and keep the workers employed. There is an unholy alliance between management and labor that will be hard to break."

## Soros and the Shatalin Plan

After blaming the Polish fiasco on a failure to apply intensive enough shocks until the patient was electrocuted, Soros trained his sights on the Soviet Union. He got involved in drafting a Russian version of the Polish model, which became known as the Shatalin Plan, starting in July 1990. Soros urged Russian Federation President Boris Yeltsin, whom he met through Yuri Afanasyev, a leader of the democratic movement and a member of the board of Soros's Soviet American Foundation Cultural Initiative, to ally with

Mikhail Gorbachov for a radical restructuring of the Soviet Union. Yeltsin balked at first, according to Soros. The bulk of the plan that bore the name of Prof. Stanislav Shatalin had been authored by the East-West spy nest based in Laxenburg, Austria known as the International Institute for Applied Systems Analaysis (IIASA).

Soros drafted a memorandum for Yeltsin on July 3, 1990, that prescribed the following monetarist potion:

"The only way in which the intervention can be made both effective and acceptable is by focusing on the creation of a monetary system that would allow the transformation of the Soviet Union into a confederation of sovereign republics and, in the case of the Baltic countries, independent states. The transformation itself is an internal affair in which it would be inappropriate to interfere; but having a monetary system that would keep the economy integrated or, more exactly, provide a way for reconstituting a disintegrating economy would make the difference between success and failure. The Soviet leadership recognizes that it cannot establish such a monetary system with assistance. What it needs is not just credit but the credibility that western involvement would bring. If the G-7 [countries represented at the Houston summit] indicated their willingness to help in establishing a monetary system for a reconstituted Soviet Union, their offer would be enthusiastically received and the seemingly inexorable decline into chaos could be reversed."

When Yeltsin responded favorably to several parts of this memo, Soros sent it to the G-7 heads of state, who would be gathering in Houston. Margaret Thatcher was among those who liked the plan. Soros returned to Russia, where Yeltsin and Gorbachov were reaching a reconciliation. After meetings with the leadership of both camps, Petrakov and Yavlinsky, who were en route to discuss the Shatalin Plan in retreat, said they "would welcome a group of western economists to discuss the plan as soon as the two leaders had signed off on it. . . . They left the composition of the western group to me. We would set the date of the visit through Aksyonov. I was elated. What I had hoped for had finally happened."

Upon his return to New York, Soros put together his group, which included: the ubiquitous Jeffrey Sachs, fresh from his debacle in Poland; Romano Prodi from Italy, former head of IRI (the Italian holding company of state-owned enterprises); Guillermo de la Dehesa from Spain, who had directed the Spanish privatization program at the Ministry of Finance; David Finch, retired official of the International Monetary Fund; Stanley Fischer and Jacob Frenkel, heads of research of the World Bank and IMF respectively; Michael Bruno of the Central Bank of Israel; Gur Ofer of Jerusalem University; Ed Hewett of the Brookings Institution; and Martin Tardos from Hungary.

Several members of this group traveled with Soros to Russia, where two plans were being debated: One was the Shatalin Plan and the other was identified with Soviet Prime Minister Nikolai Ryzhkov. Gorbachov favored the Shatalin Plan, while Yeltsin favored Ryzhkov's. According to Soros, it was the bureaucracy that defeated the Shatalin Plan, because it would have created "a new center of power which would gain public support by doing battle with the much-hated old center. It was a brilliant conception not widely understood either inside the Soviet Union or outside. Unfortunately it was well enough understood by the bureaucracy which managed to defuse it. The Shatalin Plan was probably the last chance to create a new center of power whose authority would extend over the entire territory of the Soviet Union."

The Shatalin Plan was little more than an adaptation of the failed IMF-Sachs Polish model to the former Soviet Union, ostensibly to create a market economy. Among its provisions were: 1) decontrolling prices and ending subsidies on basic commodities like bread; 2) cutting the budget deficit to zero over two years; 3) shutting down inefficient industry and leaving the workers unemployed; and, 4) stabilizing the ruble and making it convertible.

As a financier, who has made his fortune out of manipulating the bubble in the West, Soros oozes scorn for an economy's need to build infrastructure and industry. In *Underwriting Democracy* he writes of the Soviet Union: "We may view the gigantic hydroelectric dams, the steel plants, the marble halls of the Moscow subway and the skyscrapers of Stalinist architecture as so many pyramids built by a modern pharaoh. Hydroelectric plants produce energy, and steel plants turn out steel, but if the steel and energy are used simply to produce more dams and steel plants, the effect on the economy is not very different from that of the construction of pyramids." While much heavy industry and infrastructure built under communism was stupidly planned, Soros's analogy to the pyramids of Egypt, which never had a function in the physical economy, is maliciously inexact. Not to mention the chutzpah of a currency speculator, who heists $1-2 billion in days, calling steel plants and dams a drag on the economy!

In a Jan. 4, 1993 commentary in the *Washington Post* Soros harped on the monetarist theme: "Help should take the form of an internationally financed social safety net, distributed directly to the unemployed and needy in the form of hard currency—dollars or deutschemark bills.

"Given the fact that the minimum wage in Russia is $6 a month, the cost of such a scheme would be well within the range of an IMF program: I believe $10 billion a year would be sufficient for the entire Soviet Union."

Soros then unveils the real purpose of his proposed reforms—neo-colonialist looting: "The social safety net would also provide a powerful incentive to shut down loss-making enterprises. . . . Factories could be idled and the raw materials and energy that go into production could be sold for more than the output." Leaders of former communist nations struggling for freedom should ask themselves if they can *afford* George Soros's alms.