Book Review

Beware George Soros's crazy swindle

by Richard Freeman

The Crisis of Global Capitalism: Open Society Endangered
by George Soros
New York: Public Affairs, 1998
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On March 4, at a meeting of political representatives in Beijing, Chinese President Jiang Zemin characterized George Soros as a "financial sniper," and said that China will in no way allow him to enter the Chinese market to stir up trouble.

On Dec. 6, 1998, the Malaysian Senior Minister of Kedah State, Tan Sri Sanusi Junid, told foreign representatives attending a book festival, "What Soros did to the Asian economies was as cruel as what Adolf Hitler did in Europe, and like Hitler, he will face the same fate."

The intensity of these comments reflects the fact that many nations on the Earth are at war with George Soros. Over the last two years, through currency warfare and other speculation conducted by his highly leveraged offshore hedge fund, the Quantum Group of Funds ($18 billion in assets), Soros has pillaged Asia, and nations throughout the world. He has made huge profits, and in the process has murdered populations: He has contributed to triggering riots in Indonesia and economic bankruptcies in Thailand. As Malaysian Prime Minister Mahathir bin Mohamad charged on Aug. 23, 1997, Soros has undermined "all [that] these countries have [done during] 40 years trying to build up the economy."

Soros has carried out his hedge fund raids through a globalized world financial system, which systematically crushes manufacturing and agricultural growth, and instead fosters speculation. Now, this system of globalization is in the final phase of the biggest financial collapse in 500 years. Over the last two years, the disintegration spread from Indonesia, Thailand, and South Korea, to Russia and Ukraine, to Brazil and Ecuador, and its spillover is causing severe contraction in the physical economies of every industrial nation in the world. The Sept. 23, 1998 derivatives-associated failure of Long Term Capital Management hedge fund, brought the world derivatives and related markets near to meltdown, which would have vaporized the banking system of the world.

The demise of the financial system means the end of the power of Soros and the financier oligarchs of the British-American-Commonwealth (BAC) clique, for whom Soros is a spokesman and a leading hit-man. Unlike some, such as the *Wall Street Journal,* which writes on blithely about how the U.S. economy is in its ninth year of economic expansion, Soros realizes that something is seriously wrong.

But, Soros's insight ends there. And, like everything else Soros does, he engages in a swindle. Soros does not admit that the speculative "globalized" financial system is thoroughly bankrupt, is in a terminal phase, and that it inherently cannot be saved. Soros's swindle is to peddle the line that with a change here and an adjustment there, the system can be made to function again. He has written *The Crisis of Global Capitalism: Open Society Endangered,* to sell that swindle.

Soros's proposed solution involves: greatly enhancing the power of the International Monetary Fund (IMF) and the United Nations, as supranational institutions able to override the sovereignty of any nation-state; ferocious austerity; and the hyperinflationary bailout of the bankrupt financial system, involving the issuance of IMF Special Drawing Rights.

Soros does know that national leaders, such as Dr. Mahathir, have rejected globalization and are working toward another solution, and he rails against Mahathir and other such leaders. Interestingly, Soros has little to say about hedge funds, such as his own, which collectively have $300 billion in funds, and through leverage of 10:1 or more, can mobilize $3 trillion or more against any nation's currency and financial markets, easily overwhelming these countries. In his book, Soros devotes only two paragraphs to hedge funds, and he uses part of that space to put forward the excuse that the proprietary trading desks of banks and brokerage houses are more important in hedge-speculation than hedge funds.

Not facing the truth

Soros attempts to ignore the proof put forward by *EIR* founder Lyndon LaRouche, that his proposed solution will

George Soros promoting his book on Oct. 5, 1998, at the invitation of Foreign Policy *magazine and Public Affairs publishers. While giving the appearance that he favors real reform, Soros is proposing to intensify the looting of the genocidal IMF system.*

not work. LaRouche has shown in his Triple Curve Collapse Function (**Figure 1**), the actual state of the world economy and financial system. The upper curve represents the financial aggregate, the mass of speculative instruments, such as the current $165 trillion world total of derivatives holdings, the inflated tens of trillions of dollars valuation of the world's stock markets, and so on. Since the early 1990s, this curve has been growing at a hyperbolic rate. The middle curve represents the monetary aggregate, which is best identified as the money supply. This has been growing at a rapid rate, though not as fast as the upper curve, in order to liquefy the financial aggregate and prevent it from collapsing the system. The lower curve represents the output of the physical economy, which supports human existence. This is contracting, and, as the rate of return and financial claims of the upper two curves increases, they suck wealth out of the lower curve, increasing its rate of contraction.

The interaction of these three curves produces a hyperinstability, generating an increasing density of shock effects to the physical economy and the financial system, which threaten systemic disintegration. The Long Term Capital Management failure of last September, and the current Brazil crisis, are examples of how this process works. No proposed solution that attempts to preserve the present globalized world financial structure will work; it will blow up.

LaRouche has composed a real solution to the problem: to put the financial system through Chapter 11 bankruptcy, writing off the speculative paper; institute among sovereign nation-states a New Bretton Woods monetary system; foster an economic boom through building great infrastructure projects such as water management, rail development, and power generation, centered on the Eurasian Land-Bridge and its attendant high-technology development corridors. Nations can protect themselves through instituting exchange and capital controls, ending the extortionate control of globalized markets.

Soros can see the handwriting on the wall. If this workable solution were implemented, it would mean the end of his power. Much of what Soros writes in his book is meant to counter the LaRouche alternative, although Soros never mentions LaRouche's name once. Soros is aware of the "Survivors' Club" grouped around these sovereign solutions, including China, Russia, India, Malaysia, and other nations.

Soros takes snatches of phrases from LaRouche, such as Soros's warning that the financial system is headed into "disintegration," and even makes it sound like he is in favor of some real reform. But, based on a radically different set of axioms and assumptions, Soros presents a completely different approach.

The BAC crowd has expended a lot of effort to make sure that Soros's proposal is given maximum publicity. Already, one chapter of Soros's book has been excerpted in the Winter 1998-99 issue of *Foreign Policy* magazine, the publication of the Carnegie Endowment for International Peace. A four-page story, quoting and summarizing leading parts of Soros's book, appeared in the Dec. 7, 1998 issue of *Newsweek* magazine. Editorial-page space has been turned over to Soros to expound on his idea in newspapers ranging from the *Wall Street Journal* to the London *Financial Times*. President Clinton has read the book, and copies of it were sent to treasury departments and finance ministries around the world.

The primary feature of Soros's crisis management plan is to intensify the austerity conditionalities policy of the genocidal IMF. One senses from Soros's presentation, that this is a package he is preparing to implement in a post-collapse world, in which his one-worldist re-creation of the British Empire—and he uses the British Empire as his model—in the form of a beefed-up IMF and UN, would hold sway over a world whose economic activity and population have been drastically reduced.

Soros's personality

In reading the book, one immediately realizes an anomaly that points to the nature of who Soros is. Here is one of the biggest thieves in the world, attempting to pass himself off as expert in monetary reform. Soros puts himself forward as an authority on economics, yet he demonstrates that his knowledge of economics is nil; the best that he can do is package the concepts of a speculator—his specialty is arbitrage (the practice of capturing the difference between the price of a financial instrument in two different markets).

Two of Soros's qualities emerge. First, his tendency to lie. It doesn't matter that Soros has no real knowledge; at one point, Soros taunts the reader that the only reason he or she is reading his book, is because the author is rich and famous. Soros's penchant for dishonesty is such that after he makes an assertion, he often contradicts it. For example, after Malaysia's Prime Minister Mahathir caught Soros speculating against the Malaysian currency, the ringgit, in early 1997, Mahathir accused him of it. Soros stridently denied in the pages of the world's press that he was involved. However, in his book, Soros admits that he did just that. Soros writes: "We sold short the Thai baht and the Malaysian ringgit early in 1997 with maturities ranging from six months to a year. Subsequently Prime Minister Mahathir of Malaysia accused me of causing the crisis. The accusation was totally unfounded. We were not sellers of the currency during or several months before the crisis: on the contrary, we were buyers when the currencies began to decline."

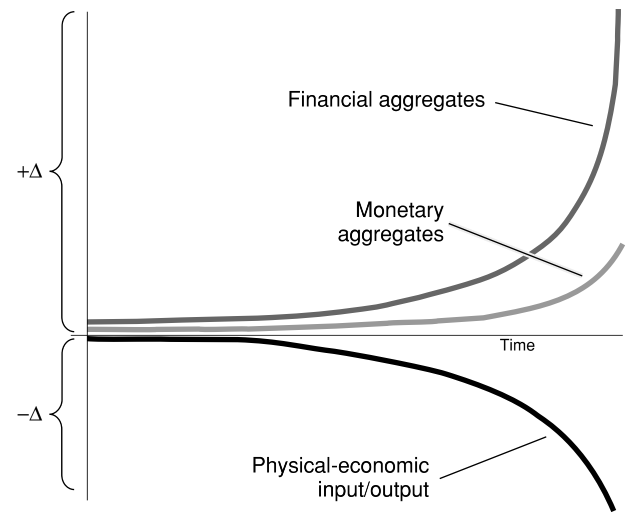
Anyone who knows something about currency speculation would know that Soros is lying. When a speculator short-sells a currency, he contracts to sell it at an agreed upon fixed price in the future, say in six months. But, he doesn't own the currency he has contracted to sell; he expects to buy it when the price has fallen. He will then buy the currency at its reduced price, and sell it at the price of the contract, realizing his profit. But large-scale short-selling by Soros is an act of currency warfare; by engaging in it, Soros destroys the currency of a nation, while making it cheaper for him to buy, so that he can realize the profit on his contract. When Soros was caught in the act, he first denied it, and then said that, in the fall of 1997, he was buying ringgit—but he was only buying ringgit to make his profit. He had already helped destroy the currency, as Mahathir charged.

Soros's lying is so pervasive, that one doesn't know whether anything that he says is true. Soros reminds one of a compulsive rapist, who, when caught in the act, denies he is doing it, then funds a treatment center to treat rape victims.

Soros despises morality. He calls his activity amoral, when in fact it is completely immoral. Soros displays a personality that is consistent with a psychopath. Soros says that he will reform the monetary system, but here is a person who is contemptuous of morality, who says that there is no truth, or right or wrong, on "philosophical grounds"—it is impossible for man to know these, he says. On what basis then, is he reforming the world monetary system?

An exhaustive review of Soros's crimes can be found in *EIR*'s *Special Report,* "The True Story of Soros the Golem." Here, we will look at features of Soros's practice and ideas that are relevant to his proposal for changing the monetary system.

FIGURE 1
A typical collapse function



Brave new empire

The tearing down of the Bretton Woods system, and its regulations and protections of nation-states, in Soros's mind, is one of the great achievements of the 20th century—it cleared the path for utopian globalization. Soros believes that nation-states and dirigist economies are two of the greatest evils. He would replace them with a new empire.

Soros writes, "When I started in the business in London in 1953, both financial markets and banks were strictly regulated on a national basis and a fixed exchange rate system prevailed with many restrictions on the movement of capital." This part of the Bretton Woods system Soros found stifling, especially after he moved to the United States in 1956 and became a speculator in international financial instruments.

Soros states, "The real emergence of global capitalism [globalization] came in the 1970s." This occurred after the Seven Sister oil companies, working with Henry Kissinger, jacked up the price of oil through the 1973-75 oil hoax. Members of the Organization of Petroleum Exporting Countries now had large financial surpluses. Soros continues, "It was left to the commercial banks with behind-the-scenes encouragement from Western governments to recycle the funds. Eurodollars were invented and large offshore markets developed. Governments started to make tax and other concessions to international financial capital to entice it back onshore. . . . These measures gave offshore capital more room to maneuver."

But for Soros, it was the monetarism of Britain's Prime Minister Margaret Thatcher that busted up the old system, and cleared the way for global speculation. "The development of international financial markets received a big boost around 1980 when Margaret Thatcher and Ronald Reagan came to power with a program of removing the state from the economy and allowing the market mechanism to do its work. This meant imposing strict monetary discipline, which had the initial effect of plunging the world into a recession and precipitating the international debt crisis of 1982. It took several years for the world economy to recover—in Latin America they speak of the lost decade. . . . From 1983 on, the global economy has enjoyed a long period of practically uninterrupted expansion. In spite of periodic crises, the development of international capital markets has accelerated to a point where they can be described as truly global."

From that, as Soros describes it, began the growth of the wildly inflated U.S. stock market, and shortly thereafter, the cancerous growth of derivatives, which now stand at approximately $165 trillion, overshadowing the world economy.

In Soros's mind, the financier oligarchs centered in London and Wall Street have created a new wonder: utopian globalization, which they believe is inevitable and that no one can resist. Manufacturing, agriculture, and infrastructure are ground down, and speculative capital is free to float anywhere, especially to markets in derivatives, stocks, and real estate, which the oligarchs have forced down the throat of almost every country. Capital can seek the highest speculative rate of return.

Soros sees this as the emergence of a new empire. "The capitalist system [globalization] can be compared to an empire that is more global in its coverage than any previous empire. It rules an entire civilization, and as in other empires, those who are outside its walls are considered barbarians," he writes.

"The global capitalist system does govern those who belong to it—and it is not easy to opt out. Moreover, it has a center and a periphery just like an empire and the center benefits at the expense of the periphery. Most important, the global capitalist exhibits some imperialistic tendencies. . . . It is hell-bent on expansion. It cannot rest as long as there are any markets or resources that remain unincorporated.

"In contrast to the 19th century when imperialism found a literal, territorial expression in the form of colonies, the current version of the global capitalist system is almost completely nonterritorial, or even extraterritorial, in character. *Territories are governed by states and states often pose obstacles to the expansion of the capitalist system*" (emphasis added).

The major institution to be overcome to bring about unbridled globalization, is the nation-state. He asserts, "The state is an archaic instrument." States must surrender sovereignty. "Any international intervention [to save the current monetary system] constitutes interference with the sovereignty of the state. Because crisis prevention requires some degree of external interference, present arrangements stand in the way of effective crisis prevention." Further, he says, states "would have to yield some of their sovereignty to establish the rule of international law." Soros could care less about international law, but he is adamant that states must yield sovereignty.

To rule over the nation-states, whose powers are to be restricted, and to correct some of the instabilities that arise in the financial system of globalization, Soros would return to the method of the British Empire. In a March 12, 1998 interview with the Italian *Liberal* magazine, Soros warned, "Left alone, states do not maintain peace. We need an international organization aimed at keeping peace. *It can be an empire, or a balance of powers. Or it can be some sort of international institution*. Current international institutions . . . cannot succeed because they are formed by states, and therefore they are instruments of state interests. During the Cold War, there was a balance of powers. Today, America is the only superpower left, but it does not have the capacity to be the world policeman. In the 19th century, we had a global capitalist system as well, and it was Great Britain, representing the imperial power, that maintained stability. . . . Currently, we have no system of peace" (emphasis added).

Soros adds, "In some ways, the 19th century version of the global capitalist system was more stable than the current one. . . . There were imperial powers, Britain foremost among them, that derived enough benefits from being at the center of the global capitalist system to justify dispatching gunboats to faraway places to preserve the peace or collect debts."

It is this concept of empire that Soros apparently has in mind when he proposes to give near-dictatorial powers to the IMF and UN. The utopian world financial system is global in extent, and Soros demands an imperial-style system that is also global in extent, to enforce the globalized financial system's terms.

Economics: What's that?

Soros has a chapter in his book entitled "A Critique of Economics," but his theory is one of an economy without physical production. Soros writes about the economy of the former Soviet Union and Russia: "We may view the gigantic hydroelectric dams, the steel mills, the marble halls of the Moscow subway, and the skyscrapers of Stalinist architecture as so many pyramids built by a modern pharaoh. Hydroelectric plants do produce energy, and steel mills do turn out steel, but if the steel and energy are used to produce more dams and steel mills, the effect on the economy is not very different from that of building pyramids."

Steel plants can be used to produce more steel plants and hydroelectric dams, and he would stop many such projects in the Third World, the former East bloc, and elsewhere, but Soros does not understand what that represents. It is man's creative, scientific discoveries of fundamental principles, which arise as solutions to paradoxes in knowledge, which are the driving force of an economy. The ideas are transmitted into an economy through infrastructure and the machine-tool-design principle, and enable a society to develop in a capital-intensive, energy-intensive mode of production. Such fundamental ideas create not-entropic growth, and correlate with an increase in potential relative population density (see Lyndon LaRouche, "The Road to Recovery," *EIR*, Feb. 19). Within this process, steel plants and hydroelectric dams are vehicles for improving mankind's power over nature and its standard of living.

Instead, what Soros would do is build pyramids of speculative paper.

In March, Soros imposed Arminio Fraga, the former manager of Soros Management LLC, as the Central Bank head of Brazil. Fraga is supervising interest rates that are above 35%, and he is prepared to take them up to 50%, which is collapsing production, and destroying the possibility of future production. Fraga is also trying to privatize anything that remains of Brazil's national patrimony of industry, infrastructure, and raw materials. But, Fraga is guaranteeing that Brazil's debt is paid on time.

Similarly, in 1990-91, Soros, using the predecessor group of his Open Society Institute, introduced Harvard University Prof. Jeffrey Sachs into Russia to administer "shock therapy." This policy has collapsed industrial production by 55%, and life expectancy of Russian males has decreased from 64 years, down to 59 years. Exploiting the dirt-cheap prices that resulted from the collapse, Soros teamed up with his syndicate partner, Russian oligarch-robber Vladimir Potanin, to buy a 25.1% share of Russia's national telephone company, Svyazinvest. Soros had built up investments of more than $2 billion in Russia. When, on Aug. 17, 1998, Russia declared a moratorium on payment of Treasury debt and on categories of corporate debt, Soros went into overdrive, as he documents in his book, calling up then-U.S. Treasury Undersecretary for International Affairs David Lipton and other officials in the Treasury and in the U.S. Congress, to strong-arm them to get America to kick in money for Soros's plan to bail out his holdings and those of other bankers and hedge-fund operators in Russia.

Assisting Hitler's looting

Soros's personality not only permits him to destroy whole nations and populations, but also to feel no qualms about doing so. This part of his personality was formed when, as a 14-year-old, he assisted the Nazi occupiers of his native Hungary in confiscating the property of his fellow Jews, many of whom were sent to the gas ovens. This trait of Soros's personality has hardened with the passage of time.

CBS News' "60 Minutes" brought out the dark side of Soros personality on Dec. 20, 1998, in an interview which was part of Soros's promotional tour for his book. Soros appeared on the show expensively attired, very deliberately smiling, and speaking in a controlled voice, as if his reflections, which bordered on the pathological, were perfectly normal.

"60 Minutes" reporter Steve Kroft opened the show by comparing Soros to J.P. Morgan and the Rockefellers, who amassed huge sums and gave some of it away in philanthropy. Then he reported that some have said that Soros is responsible for the financial collapse in Thailand, Malaysia, Indonesia, and Russia. Kroft repeated Prime Minister Mahathir's comment that Soros had destroyed 40 years of development.

Soros responded with a painted smile: "It's easier to blame an outside force than to admit that they were mismanaging the economy and their currency. . . . I have been blamed for everything. I am basically there to make money. I cannot and do not look at the social consequences of what I do."

Kroft reported, "When the Nazis occupied Budapest in 1944, George Soros's father was a successful lawyer. He lived on an island in the Danube and liked to commute to work in a rowboat. . . . He bought . . . forged papers and he bribed a government official to take 14-year-old George Soros in and swear that he was his Christian godson. But survival carried a heavy price. While hundreds of thousands of Hungarian Jews were being shipped off to the death camps, George Soros accompanied his phony godfather on his appointed rounds, confiscating property from the Jews."

CBS interspersed footage of long lines of Jews in single file, and being herded into a box car heading to a concentration camp, with the door closing behind them. Kroft stated that Soros escaped the Holocaust by this ploy. Kroft then asked:

Kroft: "And you watched lots of people get shipped off to the death camps."

Soros: "Right. I was 14 years old. And I would say that that's when my character was made."

Kroft: "In what way?"

Soros: "That one should think ahead. . . ."

Kroft: "My understanding is that you went out with this protector of yours who swore that you were his adopted godson."

Soros: "Yes. Yes."

Kroft: "Went out, in fact, and helped in the confiscation of property from the Jews."

Soros: "Yes. That's right. Yes."

Kroft: "I mean, that's—that sounds like an experience that would send lots of people to the psychiatric couch for many, many years. Was it difficult?"

Soros: "Not—not at all. Not at all. Maybe as a child [most 14-year-olds have a well-formed conscience] you don't—you don't see the connection. But it was—it created no—no problem at all."

After Kroft asked a few more questions:

Soros: "Well, of course I—I could be on the other side or I could be the one from whom the thing is being taken away. But there was no sense that I shouldn't be there, because that was—well, actually, in a funny way, it's just like in markets—that if I weren't there—of course, I wasn't doing it, but somebody else would, would be taking it away anyhow. And it was the—whether I was there or not, I was only a spectator, the property was being taken anyway. So the—I had no role in taking away that property. So I had no sense of guilt."

Soros apparently has never attempted to overcome such a terrible experience; rather, he embraced it. Soros internalized implementing Nazi policies, and that is how he plays the markets.

In a 1995 book, *Soros on Soros,* for which he was interviewed, Soros talked about what he did during the 1944 Nazi occupation of Hungary: "We were in mortal danger, but I was convinced I was exempt. . . . For a 14-year-old, it was the most exciting adventure that one could possibly ask for. It had a formative effect on my life, because I learned the art of survival."

This chilling outlook is the centerpiece of Soros's personality. It is the nucleus of his morality, his view of the globalized markets, and of his so-called reform of the world monetary system. In *The Crisis of Global Capitalism,* he states, "An anonymous participant in financial markets, I never had to weigh the social consequences of my actions. I was aware that in some circumstances the consequences might be harmful but I felt justified in ignoring them on the grounds that I was playing by the rules. The game was very competitive and if I imposed additional constraints on myself I would end up as a loser. . . . When I sold sterling short in 1992, the Bank of England was on the other side of my transactions and I was taking money out of the pockets of British taxpayers. But if had tried to take the social consequences into account, it would have thrown off my risk/reward calculations and my chances of being successful would have been reduced. Fortunately I did not need to bother about the social consequences because they would have occurred anyway. . . . Bringing my social conscience into the decision-making process would not make any difference. . . .

"I blessed the luck that led me to the financial markets and allowed me not to dirty my hands."

Thus, when Soros destroys a nation's economy and causes death and destitution, the social consequences don't concern him, and he is not to be held responsible. He does not have to "dirty his hands" with the consequences, just like with the Jews whose property he was confiscating for the Nazis in Hungary. Soros's mental map is pathological.

Soros's 'reforms'

During the last four years, as the world financial system ripped apart at the seams, Soros drew on his anti-nation-state, pro-austerity outlook to put together for the BAC crowd, an "emergency reform package." Soros proposes "crisis prevention." He entitles one of the chapters in his book, "How to Prevent Collapse." It is similar to the impotent crisis management proposals put forward on Oct. 12, 1998 by the Group of

Soros and drugs

EIR has extensively documented George Soros's role in promoting drugs and drug legalization around the world, including in the Aug. 29, 1997 cover story, pictured here. Some highlights:

• Soros has funneled at least $15 million to the Drug Policy Foundation, a group devoted to the legalization of drugs. He created his own drug legalization lobby, the Lindesmith Center, in the headquarters of his Open Society Institute in New York City, at an initial cost of $5 million. He has poured undisclosed millions from his personal fortune into a number of state ballot initiatives, in an effort to legalize "medical" use of narcotics.

• In Ibero-America, Soros is a leading financier of the drive to legalize cocaine. For example, he bankrolled a meeting on Oct. 8-9, 1997, in the Colombian city of Medellín, for the purpose of pushing drug legalization. Soros is also a principal funder of Human Rights Watch/Americas, which specializes in attacking those national forces deployed against the drug cartels—especially the armed forces.

In *EIR,* June 5, 1998, we reported on the armed revolt in the Chapare, the center of the drug trade in Bolivia. Led by the Andean Council of Coca Leaf Producers and its chief honcho, Evo Morales, the coca growers, or *cocaleros,* adopted the slogn, "Coca or Death," and vowed to wage war to stop the Banzer government from succeeding in its plan to drive the drug trade out of Bolivia within the next five years. This insurgency was the work of European-based drug legalizers working in the "Coca 95" global legalization project, whose chief financier is Soros.

• The "Burma Project" in which Soros's Open Society Institute is a partner, with the British Crown, is attempting to topple the current military government in Myanmar. As the U.S. National Narcotics Intelligence Consumer's Committee (NNICC) pointed out in a report released in September 1997, the Myanmar government was having significant success in closing down the production of opium and heroin in the Golden Triangle, bordering Thailand, Laos, and China. The campaign by Soros and the British is aimed precisely at preventing that. (See *EIR,* Sept. 26, 1997.)

Seven finance ministers and central bank heads.

Soros's crisis prevention package will bring on more destruction, and will blow up, either in a hyperinflationary explosion or chain-reaction disintegration. Soros does see dangerous "instabilities" in the financial system, but the idea that they can be smoothed out by administrative means is lunacy.

In a commentary in the Jan. 4, 1999 London *Financial Times,* Soros wrote that he would "convert the IMF into something resembling an international central bank." He would establish, inside the IMF, "an International Credit Insurance Corporation (ICIC)." The ICIC "would guarantee international loans for a modest fee . . . [and would have] the authority to set a ceiling on the amounts it is willing to insure." This would set up the international basis for what Soros calls credit "regulation." Credit rationing would be another name for it. Soros states that the ICIC would prevent too much credit from flowing into the Third World. The way it would work is, that the ICIC would give out loan guarantees. If it did not approve what a bank was lending for, and/or did not like any one of 10 different policies pursued by a nation, it could refuse loan-guarantee approval. If the ICIC, empowered to set the seal of approval for loans, were to withhold its approval, a bank would be unlikely to make a loan (it would be at a disadvantage to a bank that had such a guarantee). Up to this point, the IMF has rationed its own credit; under Soros's proposal, it would be in position to ration the credit of private banks as well.

The ICIC would be given a long list of new criteria which would be part of the conditionalities for a loan. In addition to forcing countries to cut their budgets and reduce their imports, they would now have to "provide adequate information both to the IMF and to the markets [so-called transparency]; maintain flexible exchange rates [i.e., no fixed-exchange-rate Bretton Woods system]. . . ; have proper corporate governance and bankruptcy laws; respect certain basic human rights."

The ICIC, according to Soros, would have the power to issue emergency IMF Special Drawing Rights, for bailouts during a crisis. While Soros has not proposed the amount of SDRs that might be involved, it apparently is large, as he reports that some central bankers are accusing him of an inflationary emission. Soros's comment during the Brazil crisis in February of this year, that to stem that crisis he would issue a "wall of money," indicates his thinking. It should be underscored, that though Soros puts qualifiers in his plan, he is proposing on a global scale, the exact same policy that U.S. Federal Reserve Board chairman Alan Greenspan has been pursuing to hold up the U.S. and world banking system: hyperinflation, along the lines of what occurred in 1921-23 Weimar Germany.

Soros would also use the crisis to remove choice assets from a country: He would require mandatory debt-for-equity schemes for nations or corporate concerns that are unable to pay their debt during a crisis. The nation or company with debt problems would have to change the debt into shares of equity, i.e., the ownership of a country's or a company's asset would be transferred, usually to foreign financiers. This would not only give a means for the predatory hedge-fund operators and bankers to pick up assets cheap, but, Soros explains, it would break apart the "Confucian model," which in basic outline, involves economic dirigism. In his book, Soros states:

"One of the features of this new, more extreme form of global capitalism will be the elimination of one plausible alternative to free market ideology that recently emerged—the so-called Asian, or Confucian, model. As a result of the current crisis, the overseas Chinese and Korean capitalists whose wealth has been severely impaired will have to give up family control. Those who are willing to do so will survive; others will perish. . . . The only way out is to convert debt to equity or to raise additional equity. This cannot be done by the family; usually it cannot even be done locally. There will be no alternative but to sell out to foreigners. The net result will be the end of the Asian model. . . . International banks and multinational corporations will gain strong footholds. Within local companies, a new generation of family members or professional managers educated abroad will come to the fore. The profit motive will take precedence over Confucian ethics and nationalist pride. . . . Some countries, such as Malaysia, may fall by the wayside if they persist with their xenophobic, anti-market policies, but others will make the grade."

Soros would also impose currency boards on nations, which removes their sovereign control over credit.

Soros would use his newly reformulated IMF, with powers of an international central bank, in a futile attempt to hold the financial system intact, and to use its enhanced power to bludgeon every nation into conformity. At the same time, he is obsessively concerned with preventing any country from breaking openly with the insane, dying globalization system.

On Sept. 1, 1998, Prime Minister Mahathir adopted a nationalist and rational economic policy, by imposing exchange controls. Despite the incorrect predictions of the financiers, under this policy Malaysia's economy has done best in recovering from the nadir of the economic downturn, especially relative to other nations in Asia, which obediently followed the IMF's bad advice.

Soros directs his firepower against Mahathir, and says that his ICIC scheme "would provide a reward for belonging to the global capitalist system and discourage defections along the Malaysian model." Soros tries to reassure himself, by rationalizing that his ICIC plan "would ensure the allegiance of the periphery [the Third World] to the global capitalist system." But, he knows that those nations that want to survive are moving in the opposite direction. He warns, "Elections in Indonesia could well produce a nationalistic, Islamic government inspired by Mahathir's ideas."

The actions by Dr. Mahathir are a reflection of the growing ascendancy of the idea of survival through global development of Lyndon LaRouche. Soros avoided mentioning LaRouche even once in his book, but LaRouche's ideas haunted Soros throughout.