EIR Economics

George Soros: the central banks' secret weapon

by John Hoefle and Scott Thompson

Were anyone to doubt that the world's central banks are parasites which exist by looting their own and other economies, an examination of the activities of George Soros should dispel such naive illusions.

Soros has been widely touted as the man with the "Midas touch" for his alleged genius at predicting turns in the markets. The aura surrounding Soros is said to be so powerful that his moves generate floods of copycat investors, eager to get in on the action.

Like most stories about so-called investment geniuses—Michael Milken and Warren Buffett, for example—the myth of George Soros is pure fabrication, designed as a cover story to hide the manipulations of institutions far more powerful than Soros: the central banks, banking families such as the Rothschilds, Warburgs, and Barings, and the financial empires of the ancient oligarchic families, which wield far more power than most people would ever suspect.

That Soros is a cat's paw for something far more evil than himself does not absolve him of his crimes; but understanding his role as a front man is essential if the activities of Soros and his backers are to be stopped.

Soros's fabled attack upon the British pound and the Italian lira in September 1992 is a good example of how this network operates. For his efforts, Soros was touted as "the man who broke the pound." He also made between $1 and $2 billion in profits for the investors in his funds, and for himself.

The idea that a single man, even one whose investment funds have in excess of $10 billion at their disposal, could "break the pound," is absurd. The combined power of the Anglo-American central banks and the oligarchic family funds, the *fondi,* could destroy any outsider who dared to launch such an attack. The lone financier scenario, like the mythical "lone assassin" of John F. Kennedy, is nonsense.

Inside job

Soros's attack on the pound and the lira was an "inside job," done in collaboration with the U.S. Federal Reserve Bank and a handful of major U.S. banks, according to evidence uncovered by *EIR* investigators. These banks, like Soros, made huge sums of money through insider currency speculation. The biggest bandit of all was Citicorp, which reportedly made $1 billion from the European currency crisis.

It is not surprising that Citicorp should get in on the action, given that Soros is one of the bank's prized clients.

Citibank, the main subsidiary of Citicorp, is one of two custodians for Soros's Quantum Fund, which has assets of $7-9 billion. Citibank provides a wide range of administrative services for the Quantum Fund, including preparing the paperwork for investors and preparing the filings for various federal agencies.

Citibank also provides funding to Soros, a Citicorp spokesman admitted to *EIR*. The spokesman refused to reveal the extent of such loans. "We cannot reveal the lines of credit that our customers like Mr. Soros have," he said. "Only Mr. Soros can reveal the size of his line of credit."

However, the spokesman did admit that Citicorp has had "consistent foreign exchange revenues" in the neighborhood of $200-300 million a quarter over the last several years, and that the bank had enjoyed a significant increase in such revenues "during the period of volatility of the EC [European Community] currencies." Furthermore, the spokesman added, Citicorp is presently "helping clients manage their exchange exposure with the deutschemark." That currency, not coincidentally, is Soros's latest target.

Sanctioned by the Fed

Citicorp and Soros are clearly working together in currency warfare operations. That a U.S. commercial bank should be involved in such a plot is bad enough, but the story gets even worse, since the Fed runs Citicorp, and has since late 1990.

In mid-November 1990, Citicorp Chairman John Reed was summoned to the offices of Gerald Corrigan, president of the Federal Reserve Bank of New York, where he was informed that the Fed was taking control of the bankrupt bank. Reed would remain, but merely as a figurehead.

Under the direction of the Fed, H. Onno Ruding, a former Dutch finance minister and former chairman of the Interim Committee of the International Monetary Fund, became vice chairman of Citicorp and Citibank. Ruding is also a member of the International Capital Markets Advisory Committee of the New York Fed, which helps regulate the derivatives markets. The federal government, in particular the New York Fed and the Comptroller of the Currency, were now running Citicorp.

That means that, at best, the Fed gave its approval to Citicorp's massive currency speculation, and of its support of Soros. At worst, and more likely, the Fed was using Soros, to carry out activities that the Fed dare not carry out in its own name.

The Fed was certainly in a position to shut Soros down if it wished. It could easily have ordered Citibank to end its line of credit to Soros, and to withdraw as custodian of the Quantum Fund. It could also have ordered Citicorp and the other major speculators among U.S. banks—J.P. Morgan, Bankers Trust, BankAmerica, Chemical Bank, Chase Manhattan, and First Chicago—to cease speculating against the European currencies and to stop funding Soros.

But it did not. In fact, according to European banking sources, the New York Fed has provided Soros with inside information on the conditions and strategies of other central banks, allowing him to more precisely attack his targets. The surprise resignation of Gerald Corrigan, these sources suggest, is related to this scandal.

Citicorp's admission that it is involved in currency speculation with the German mark is further indication of insider trading. In a letter published in the June 9 London *Times*, Soros publicly declared that the German mark was his next target. "I expect the mark to fall against all major currencies," Soros wrote.

As expected, many investors rushed in to speculate on a drop in the mark against the dollar, providing cover for the Anglo-American attack on the mark and the Bundesbank, the German central bank. Since the publication of Soros's letter, the mark has dropped from some 1.625 marks per dollar, to 1.72 marks per dollar.

Price of gold soars

Soros has also launched a well-publicized move into gold, through his April 1993 purchase of a stake in Newmont Mining, a Denver-based gold company. Soros, who currently owns a reported 20% of Newmont, bought the shares from controllers Sir James Goldsmith and Lord Jacob Rothschild. The fourth major partner in Newmont, according to *EIR*'s sources, is Li Ka Shing, Hongkong's leading narco-billionaire.

Gold and diamonds have historically been tightly linked to the drug trade, as both are quite useful for laundering large quantities of drug money. The drug connections are relevant, as *EIR*'s investigators have determined that much of the money flowing into the international derivatives markets, and into the sort of currency warfare in which Soros specializes, is laundered drug money.

The activities of Soros and company have triggered a sharp rise in the price of gold, from a level of some $340 a troy ounce when Soros bought into Newmont, to nearly $400 today.

This rise in the price of gold increases the profits of Newmont, but more importantly, it provides a hedge against the collapsing value of the U.S. dollar. While the dollar may rise and fall against other currencies, the real value of the dollar is constantly eroding, due to the collapse of the U.S. economy. That same process holds true for the other major currencies, since the entire world is in the midst of an accelerating economic breakdown against which, as the recent Group of Seven meeting shows, the governments of the world are paralyzed.

The central banks, rather than working to reverse the breakdown, are instead seeking to make money off of it by speculating in gold. According to the CPM *Market Timing Advisory*, "Some of the central banks which sold call [buying] options over the past two months are prepared, even eager, to allow these positions to be exercised."

Investigation demanded

The only way this process can be reversed, is to destroy the power of the oligarchy to use the central banks and front men like George Soros to loot the world population through usury and financial manipulation, and to restore the power of sovereign nations to control their own credit and economic policies.

A useful step in this direction was taken on June 18 by Rep. Henry B. Gonzalez (D-Tex.), chairman of the House Banking Committee. "I am interested in knowing how Mr. Soros was able to make such profits, how much of his investment capital is from bank loans, the U.S. bank exposure to Mr. Soros's fund and the role derivatives played in earning Mr. Soros that windfall," Gonzalez said on the House floor.

Gonzalez included a warning about the dangers of U.S. banks' holdings of derivatives. Pointing out that the exposure from derivatives at the money center banks was well in excess of 100% of their capital, Gonzalez said that he was concerned that this could lead to "a catastrophe that could easily eclipse the capital of our largest banks and endanger the deposit insurance fund."