EIR files complaint against George Soros

by Scott Thompson

EIR will file a complaint this month against British asset George Soros and Soros Fund Management Managing Director Stanley Druckenmiller, alleging that they plan to make immense profits from having Speaker of the House Newt Gingrich cause a default on U.S. Treasury securities. The call for an investigation by the Securities Exchange Commission (SEC) and Commodities Futures Trading Commission (CFTC) demonstrates possible insider trading and fraudulent manipulation of the market by Soros and Druckenmiller, who are beating the drums for Gingrich's "Red Guards" to force a U.S. government default, in the course of forcing through their "balanced budget" agenda.

Highly reliable sources have told *EIR* that Soros's portfolio has gone short on Treasury bonds and long on gold (i.e., speculating that the former will drop and the latter rise), by betting on the destruction of the creditworthiness of the United States. While Soros is reportedly making his major move against U.S. Treasury bonds, Druckenmiller is lobbying Gingrich and other Republicans to force a default.

At the same time, a senior gold trader with one of the world's largest gold-trading banks reported that the heavy buying of the first week of January, boosting the price of gold by $10 an ounce, came from speculators like George Soros in New York, who are betting on a crash in the bond market to drive the price of gold up over $500.

Profitting from the 'train wreck'

The complaint, after reviewing Soros's portfolio position to profit from a global crash, presents a chronology of how Soros and Druckenmiller may have gained insider trading information from Speaker Gingrich, while also fraudulently manipulating the market through Gingrich's Conservative Revolutionaries.

- On Sept. 26, 1995, a full-page ad appeared in the *Washington Post,* signed by Druckenmiller and Kenneth G. Langone, chairman and managing director of Invemed Associates, Inc., declaring: "Markets look at the future, not the present. . . . If the so-called 'train wreck' [U.S. government shutdown] occurs, the markets will focus on the eventual outcome. . . . If decisive action [to cut the deficit] is the end result, there will be no 'black mark' on Treasury securities. . . .

"Let's not allow fears of temporary 'market instability' to serve as an excuse for equivocating on spending cuts and Entitlement reform. . . . The costs of our political leaders failing to produce deficit reduction are greater than those of failing temporarily to pay interest and/or principal on U.S. Treasury securities."

- In an Oct. 1, 1995 appearance on ABC's "This Week with David Brinkley," Gingrich echoed Druckenmiller that a U.S. government default would not be so bad: "As a historian, it's just intellectually nonsense. The fact is that, in the '80s and '90s, we've already had several periods where you had either very, very short debt ceilings, or, in '85, fighting over the Gramm-Rudman sequester—there were 11 days with no debt ceiling. And the market got better every day, because the fight was about how to cut spending. And so, the market liked the idea that the turmoil was caused by a desire to cut spending."
- On Nov. 6, 1995, Druckenmiller had meetings to lobby the House and Senate Republican leadership to force a government default. After these meetings, Gingrich held a press conference with Druckenmiller. Later that day, the Soros manager addressed a seminar at the British-controlled Heritage Foundation. A report to Congress on the seminar was drafted by British Fabian Society member Stuart Butler, titled "Would a 'Train Wreck' Be So Bad?" At the seminar, Druckenmiller repeated that Wall Street wouldn't mind a government default if it leads to vicious austerity!
- Finally, on Dec. 5, 1995, Speaker Gingrich threatened a stock market crash, if he didn't get his balanced budget for Christmas. In an address to the American Medical Association he said:

"Let me tell you, if we postpone it, if we cave in, if we walk off, two things will happen. First, it'll be clear to this country that the best chance we've had in a generation to balance the budget will have failed—not been postponed—failed. And second, you will see interest rates skyrocket and the stock market crash, because the fact is, they are counting on us keeping our word, because they actually believe we are different."

Not the first time for Soros

The final part of *EIR*'s complaint includes: 1) A 1993 speech before Congress by then-Chairman of the House Banking Committee, Rep. Henry Gonzalez (D-Tex.), where the congressman calls for an SEC investigation into Soros's immense profits from derivatives speculation; and, 2) an Oct. 27, 1995 Petition to the Italian State Attorney in Milan by Paolo Raimondi and Claudio Ciccanti, respectively president and secretary general of the International Civil Rights Movement-Solidarity (see *EIR,* Nov. 17, 1995, p. 28). The petition calls for investigation of Soros for possible violations of Article 501 ("Fraudulent Raising or Lowering of Prices on the Public or Commercial Markets"), when Soros destroyed the value of the Italian lira to make a $280 million profit.