Soros out to devalue mark, attack U.S.

by Scott Thompson

"Golem" George Soros is still running amok, seeking to devalue Germany's deutschemark, then blow out the U.S. banking system. In the first phase of his operation, on June 9, Soros, who had already started a run on the mark, wrote *Times* of London economics editor Anatole Kaletsky, calling for a full-scale assault on Germany's currency, as well demanding that Bundesbank (German central bank) interest rates be lowered. Soros said that given the weakness of the German economy, the mark was grossly overvalued relative to the dollar.

In speaking to top bankers for the British-centered Rothschild family, who dominate the board of Soros's flagship, offshore Quantum Fund NV, *EIR* corroborated the second phase of Soros's plan. He is short-selling U.S. Treasury bonds, ostensibly to raise interest rates and thereby strengthen the dollar relative to the mark. But, the reality is, as Soros's partners admit, that this process of raising interest rates will "bust the major U.S. banks."

Jeremy Smouhar, an employee of Global Asset Management (GAM), whose chairman, Gilbert de Bretton, had been a 25-year employee of the Rothschild family, told *EIR* that Germany may have to be put through a year of austerity before a full-scale assault on the mark succeeds. GAM is partly owned by Lord Jacob Rothschild's St. James Place, which is represented on the board of Soros' Quantum Fund by Nils O. Taube.

"Soros has punctured the belief that the mark cannot be gone after," Smouhar told *EIR*. He has made it clear that there are other European currencies that are stronger. . . . Soros made the Germans and the world sit up to realize that Germany is not in the best shape. We do not project a full-scale attack on the mark now, but the mark is already near the floor of the European Rate Mechanism. There are serious questions being raised whether the French franc, as opposed to the mark, should not become the anchor of the ERM. In a year, after Germany has lowered wages, reduced expectations, and picked itself off the floor, then we shall see whether Soros, in combination with other financial interests, will force a major devaluation of the mark."

Smouhar said that Soros's statements about the weakness of the German economy showed how Soros used his "theory of reflexivity" in financial warfare. Soros is manipulating the "perception" that the mark is weaker than in "reality," so as to cause a stampede against the German currency. This is a new name for an old con man's trick.

Nils Taube, supervisory director and chief executive officer of Lord Jacob Rothschild's St. James Place, told *EIR* in a July 7 interview that since Soros's June 9 statement on the German mark, there has been a significant percentage drop in the value of the mark to the dollar. Actually, Soros began to speculate against the mark before this statement, when the mark was 1.58 to the dollar.

However, Taube complained that the rate of devaluation of the mark to the dollar has been slowing. Taube said that one week after Soros's announcement, on June 16, the rate had fallen to 1.69 to the dollar. But, in the ensuing period from June 16 until July 7, the mark had only dropped to 1.70. Still, Taube said that Soros is convinced that the dollar will strengthen relative to the mark over the long haul. And, it appeared on July 20, when the rate stood at 1.71, that the rate of devaluation might be starting to pick up again; there had been an 8.7% devaluation relative to the dollar since Soros began speculating at a 1.58 rate.

Busting the U.S. banks

Taube admitted that Soros is short-selling U.S. Treasury bonds and hoping that interest rates will rise, although he protested that "George Soros cannot manipulate the bond market," as it is "zillions of dollars daily." Soros appears to be bucking the policy of the Clinton administration—for a weak dollar and ever lower interest rates—which seeks to export the $300-400 trillion annual derivatives market. Soros seems to hold to the monetarist belief that since rates have reached bottom, they have nowhere to go but up. While in the short term, high U.S. interest rates would strengthen the dollar relative to the mark, this policy would also threaten to pop the derivatives bubble.

Initially, Taube protested that major troubled banks like Citicorp/Citibank can withstand higher interest rates, having recovered through profits earned by participation in Soros's speculative devaluations of the pound, lira, mark, and so forth. However, Taube admitted: "If Soros's policy of higher interest rates prevails, then all the major U.S. banks like Citicorp will go bust in the foreseeable future. It is inevitable."

Amidst massive corruption, like the insider trading information Soros and Citibank got from operatives of outgoing New York Federal Reserve chairman Gerald Corrigan on central bank moves to defend their currency, "Golem" Soros is following a plan that will destroy what little remains of the world's economy. First, he is seeking to devalue the mark and the German economy, which he hates, as the British do. Second, he is taking steps that his own board members admit will bust U.S. banks, possibly exploding the $300-400 trillion derivatives bubble in the largest financial bust in world history.