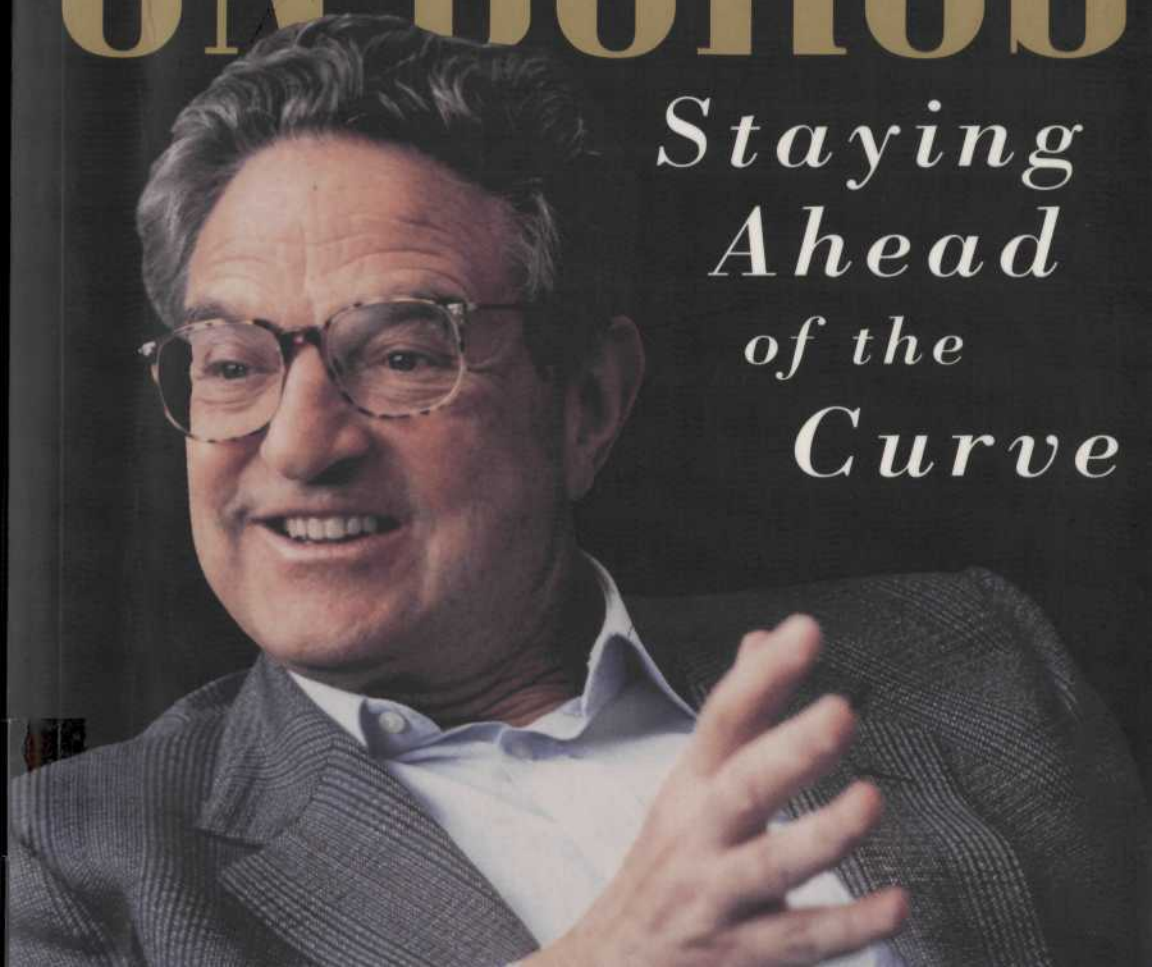


SOROS ON SOROS

*Staying
Ahead
of the
Curve*



CONTENTS

PART ONE

Investing and Global Finance

with *Byron Wien*

1

Chapter 1 The Investor

3

Life at the top with Warren Buffett • Strengths of Quantum Fund • Derivatives • Leveraged to the hilt • Measuring risk • The first hedge fund • Intuition as an investment tool • Soros as the *insecurity* analyst • The making of a money manager • Going against the herd • Characteristics of good investors: character and intelligence • The messianic complex • Risk taking as the essential ingredient • Formulating a thesis for investing • Different ways to skin a cat • Finding the right management team for Quantum Fund • Maintaining performance and monitoring the thesis • Damage control—correcting a loss • Disengaging from active money management • Who really runs Quantum Fund? • Netting \$1 billion on sterling • Losing big on yen • Attracting the best talent

Chapter 2 The Guru in Training

25

Parents as personal influences • Tension as a driving force in life • Family history • Nazi persecution—the communist regime in Hungary • Assuming a false identity to stay alive • The journey to England • Other influences: his brother, Karl Popper, Andrei Sakharov, Vaclav Havel, Bronislaw Geremek,

Grigory Yavlinsky • Soros as salesman • Working in the “box” • Getting to Wall Street • International arbitrage • The first big career breakthrough—trading European securities • The Interest equalization tax—an end to trading European securities • Impact of his philosophical ideas on investing and politics • The beginning of Quantum Fund

Chapter 3 The Story of Quantum Fund 47

The early years of Quantum Fund—starting out with \$12 million • Working with Jim Rogers • Early investments • Breaking up the partnership • Dealing with a life crisis • Coming to terms with success • Loosening the constraints • Growing the fund from \$100 million to \$400 million • Taking the first big loss • Searching for a management team • Dropping the guilt and hang-ups • The Real Time Experiment explained—conducting a study to influence the results • *The Alchemy of Finance* • The Plaza Accord • Taking a hit on Black Monday • Building an effective management team • Stanley Druckenmiller • The second worst year in history • Quantum Fund today

Chapter 4 The Theory of Investing 65

A framework for investing—reflexivity • Far-from-equilibrium conditions • Reflexivity defined • Boom/bust sequences • The boom/bust pattern explained • The pattern applied to the Soviet Union and the U.S. banking system

Chapter 5 Theory in Action 79

Boom/bust applied to today’s financial markets • The Sterling crisis as a pointed example • How it happened • Breakdown of the Exchange Rate Mechanism (ERM) • Thoughts on currency speculation • Another period of currency volatility • Playing the Japanese market • Ministry of Finance (MOF)—the kingpin of the power struggle • The U.S. market: good and getting better • Thoughts on the Mexican currency crisis—Explaining the peso crash • Argentina and Brazil • Risk and reward in China • Today’s

weak dollar • Excessive volatility with no constituency to deal with it • Regulating derivatives

PART TWO

Geopolitics, Philanthropy, and Global Change

with Krisztina Koenen

109

Chapter 6 The Philanthropist

111

Giving away millions in Europe • The motivation behind the philanthropy • The Open Society Fund • Philanthropy with a policy purpose • A commitment to South Africa • Supporting Eastern European dissidents • Foundation reach into Hungary • Balancing Foundation efforts and Quantum Fund activity • Foundations in 25 countries • Notable successes and huge failures • Adapting to the changing political climate • The danger of becoming too strong • The Soros Foundation of today • Central European University • Conflicts of interest in Eastern Europe • Redefining Foundation purpose

Chapter 7 The Stateless Statesman

151

The economic future of Eastern Europe • Optimism for Central Europe • The Soviet demise • The future of Russia • Ukraine and Macedonia • Poland as a model for economic growth and social reform • Observing the process of change • The fate of Romania • Redesigning Western assistance programs • Changing the course of history in Eastern Europe—marginally

Chapter 8 The Future of the United States and Open Society

177

Switching focus • Adjusting to the new world order • A disappointing response to the crisis in Bosnia • An amended version of freedom • Open society versus laissez faire • The

coming disintegration of Europe • An identity crisis for the U.S. • The failure of the United Nations and NATO • The role of the U.N. in today's conflicts • A looming crisis • The collapse of international financial markets • The meaning of money • Exploring the drug debate • Project on death • Having too much power

PART THREE

Philosophy

with Byron Wien 207

Chapter 9 The Failed Philosopher 209

A belief in your own fallibility • Flawed mental constructs • Reflexivity • Participants cannot act on the basis of knowledge • A new theory of truth • Heisenberg's Uncertainty Principle • Uncertainty in human affairs • Social science as a false metaphor • Near-equilibrium and far-from-equilibrium conditions • The boundary lines • Open and closed societies • No grand pattern of history • Regime change • Deficiency of values in open societies • Fallibility as a basis for values

Chapter 10 The Power and the Myth 237

Finding a forum • Gaining access to the policy makers • George Soros as a Jew • The power to move markets • Panned in the press • The adventure of ideas • An actor on the stage of history • Dealing with the complexity of world problems • A last chance for self-revelation

Appendix Selected Writings by George Soros 251

Open and Closed Societies • Prospect for European Disintegration • Hedge Funds and Dynamic Hedging

Index 323