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Ready to sell country down the river

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BY now, George Soros is a familiar name following criticisms by Prime Minister Datuk Seri Dr Mahathir Mohamad on manipulations by the American financier and his cohorts to devalue the region's currencies. Speculative attacks on the Thai baht were followed by others on the Philippine peso, the ringgit, the Indonesian rupiah and even the strong Singapore dollar.

A measure of Soros' high standing on Wall Street was the statement made by Nicholas Burns, the US State Department spokesman and one from US Undersecretary for Economic, Business and Agricultural Affairs, Stuart E. Eizenstat.

Not much is known about Soros. Two days after mention of his name during the recent Asean ministerial conference, an AFP despatch from Paris provided some information. Mentioned was that the 66-year-old billionaire was born in Hungary of Jewish parentage and later became a US citizen. There was not much information either in the latest issue of the Far Eastern Economic Review, in its editorial, The Soros Factor: Two cheers for speculation.

Much more information was provided in a report published on June 17, 1993 in The Times, London. It pays to reprint it in full for us to know Soros better:

"George Soros, the New York investor who claimed to have made US\$1 billion from speculating against the pound amid the currency crisis last autumn, was named yesterday as the highest-paid man on Wall Street, earning US\$650 million last year, or STG1 million a day.

"The figure is five times the US\$117 million he earned in 1991 and dethrones Michael Milken, the convicted securities trader who has held Wall Street's crown for the highest salary since he earned US\$550 million in 1987.

"Mr Soros, who was born in Hungary, has spent almost US\$100 million of his speculative profits in the past 12 years funding a network of charitable foundations spanning eastern Europe and Russia. He plans to spend about US\$250 million more over the next two years.

"Until recently, he has kept a low profile but earlier this month he unveiled a STG500 million property partnership with British Land; he also managed to spark a sharp rise in the gold price with a US\$400 million investment in Sir James Goldsmiths' Newmont Mining. Last week, in The Times, he predicted a further decline of the German economy. His power base is US\$7.5 billion of assets held in five money management funds, the most famous of which is Quantum Fund, shares in which are available for US\$30,000 each. Since it started as a US\$10 million fund in 1973, Quantum has averaged gains of 30 per cent a year. Last year, the gains of four of his funds - the fifth was started this year - averaged between 45 per cent and 80 per cent.

"Stephen Taub, head of the Financial World magazine unit which has compiled a list of the highest earners on Wall Street for eight years, said US\$400 million of Mr Soros' pay came from his share of the realised profits of the funds and US\$250 million from management fees.

"Four places behind Mr Soros is Stanley Druckenmiller, his 39-year-old chief trader, who earned US\$110 million. He has been with Mr Soros for the past four years and was the man who actually placed the US\$10 billion bet against the mark, pound and lira last September from which they made a combined US\$2 billion profit.

"Mr Soros attributes his success to being able to play the game better and bigger than other people. In a recent interview, he confided that as a youngster he had a fantasy that he was God... but he did not tell anyone at the time."

The news item's heading read: Soros heads earnings league with STG1m a day. That was in 1992. It is now 1997. Does he still fantasise that he is God?

Bankers, economists and others will remember that at one stage then British Prime Minister Margaret Thatcher sought the help of the Sultan of Brunei.

We note also from that that item in The Times that Michael Milken's name has been mentioned. As reported in Malaysian newspapers in the past few days, Milken's name was mentioned too by Dr Mahathir.

To know more about Soros we might read also an editorial in a British newspaper in 1993 with the heading, Mr Soros speculates. It reads:

"In Anthony Trollope's *The Way We Live Now*, Augustus Melmotte is the financial speculator who could 'make or mar any company by buying or selling its stock, and could make money dear or cheap as he pleased'. The Hungarian-born fund manager Mr George Soros seems to have become the Melmotte de nos jours, although he is apparently a great deal more honest. Ever since he wagered US\$10 billion that the pound would fall out of the Exchange Rate Mechanism, his every utterance has been hailed as oracular, and his letters and articles in newspapers as holy writ. Trollope's impecunious aristocrats worshipped Mammon in the guise of Melmotte, trusting that he could retrieve their lost fortunes. Today's small-fry investors bow down before Soros, imagining their poor savings multiplied a hundredfold by a single bank-breaking speculation.

"Public faith in Mr Soros as a guru is not wholly irrational. Since 1969, the New York-based Quantum Fund which he manages has enjoyed a compound annual rate growth of 35 per cent, and now amount to around US\$7.5 billion. Only in one year, 1981, have his assets been depleted. Mr Soros' impressive and much-publicised record enables him to make self-fulfilling prophecies. He buys a gold mine: the price of gold starts to soar. He goes into partnership with British Land: the shares of UK property companies surge. Nor should anyone wish Mr Soros ill. Those Continental politicians and central bankers who, in recent days, have blamed speculators such as he for the collapse of the ERM should curb their wrath: the fault is entirely theirs for attempting to maintain unsustainable exchange and interest rates. As for the American senator who has called for Mr Soros to be investigated, he is merely replaying a perennial populist tune: down with Wall Street.

"We congratulate Mr Soros on his success, and the good use to which he puts some of his profits. Anyone who takes money from the central banks of Western Europe and disburses it in the crisis-ridden economies of Eastern Europe deserves our admiration.

"But there is also scope for caution. There is a sense of hubris about Soros increasingly grandiloquent communications to the media. On June 23 he argued that the Deutschmark 'needed to be sold'. On July 26, he insisted he would not speculate against the franc. But on July 30, he decided he might have to do so; and the next day he was belatedly predicting the end of ERM.

"When we read this week that Mr Soros favours air attacks to raise the siege of Sarajevo we begin to think he needs a holiday. He may have to come to believe that with a nod or a wink he can determine not only foreign exchanges but also foreign policies. But he should remember the nemesis of Melmotte. Speculation and humility are unlikely bedfellows. But the willingness of the world to hang on Mr Soros' every utterance should

not fool him into believing them all himself."

Soros is something else. Perhaps he sees the global money markets as a vast milch cow. One who has taken on the pound, the deutschemark, the franc and the lira in the past is not someone we should ever underestimate. Mayhaps the fantasy he had as a youngster that he was god is still there.

Following is some information on Soros from Forbes magazine's annual profile of the world's wealthiest:

Wall Street analyst 1956, advised Americans on Europe after formation of European Common Market 1957: "... for a brief period I ruled as one-eyed king among the blind." Spent 1963-66 revising never-published *The Burden of Consciousness*... the man who "broke" the British pound, forcing the UK out of European exchange rate mechanism 1992; made US\$1 billion. Recovered from US\$600 million loss betting against yen early 1994... Childhood belief he was god persisted into adulthood.

A Malaysian banker was once asked about his plans to make more money. He demurred, and asked: "Yes, but how many more durians can we eat?"

For Soros, it is Hungarian goulash, a favourite ethnic dish in New York followed by the Jewish bagel, among other things. The whole world is his oyster. Ah yes, we are now told that some local parties were involved in the attack against the ringgit by making available the currency for speculators. In short, there are locals ready to sell the country down the river.

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