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## George Soros

**Is the billionaire speculator the Democrats' most powerful weapon?**

By Sebastian Mallaby

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Way, way back, when Howard Dean had neither risen nor fallen, George Soros began to plot the sort of speculative bet that has made him a hero and a villain. Contemplating a popular president preparing an invasion of Iraq, Soros was shocked but unwilling to be awed: He believed that this show of American supremacy was a bubble waiting to be pricked and that the president's popularity could be made to pop with it. And so he did what only billionaires with attitude can do. He prepared to back his hunch with millions of dollars in speculative wagers, the sort that triggered the collapse of the British pound in 1992 and made Soros a demon to Asian leaders during that region's financial crisis.

Currency speculation works by spotting fragile equilibriums. In Round 1, a government has pegged its currency at a level that everyone considers normal. In Round 2, a speculator notices that economic fundamentals won't support that level for all time and starts betting against it. In Round 3, lesser mortals realize that the speculator is right, and the ensuing stampede fulfils his prophecy. Something like this happened when Soros famously earned \$1 billion by betting against the British currency 12 years ago. And something like this may be happening now, with Soros' bets against the Bush administration.

Soros' first bet, in spring of last year, was to commit \$3 million over three years to an anti-Bush policy shop headed by ex-Clintonite John Podesta. He followed up with a \$10 million grant to launch America Coming Together, a get-out-the-vote effort to help the Democratic presidential campaign. Next he promised \$2.5 million to MoveOn.org, which entertains TV viewers in swing states with anti-Bush commercials. Before Soros came along, there were plenty of people who hated George Bush. But there was nobody willing to back their hatred with this sort of money—the sort that might potentially break one equilibrium and allow a new one to replace it.

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Each Soros bet was designed to shake other market participants awake—to set off the sort of stampede that makes a speculator's insight self-fulfilling. The get-out-the-vote pledge to America Coming Together was made deliberately early—fully 15 months before the vote would actually take place—in order to encourage other backers to come forward. The pledge to MoveOn.org was similar: MoveOn agreed to raise \$5 million in matching funds from other backers in order to get Soros' money. Whenever he is asked how much more cash he may give to the anti-Bush effort, Soros gives an answer that seems calculated to move the political money market his way. He'd like to give as little as possible, he says, thereby encouraging other Democrats to do their part. But he'll give as much as necessary to ensure a level playing field, he adds, thereby reassuring liberal donors who fear that challenging the incumbent president's war chest may be a waste of money.

Of course it's too early to say whether Soros' speculation will pay off; I'd bet on a Bush victory. But it's not too soon to note what's happened over the past year—a year in which Soros has been the Democrats' most generous financier. Starting in the shadow of the 2002 midterm elections, which seemed to show that Bush was invincible on foreign policy issues, Soros' money helped to energize Democrats, turning their resigned deference to Bush's positions into a feisty defiance. To be sure, others contributed to this transformation, most notably Howard Dean (for whom Soros raised money). But the secret of speculation is to start bandwagons that attract others as well, because the fundamentals make joining seem logical.

What are the fundamentals in this case? Soros' answer is contained in *The Bubble of American Supremacy*, his eighth and latest book, which he began to write as American troops arrived in Iraq a year ago. It argues that Bush's foreign policy, far from being unassailable, is actually untenable; it confuses overwhelming military superiority with omnipotence. Like other Democrats before him, Soros points out that you can't remold the world with tanks alone. Harvard's Joseph Nye, for example, has compared American power to a three-level chess board. On the military level America has no rival; on the economic level it depends on partners to finance its twin deficits and buy its exports; and on the third level—the level of transnational threats like terrorism and AIDS and drugs—America can do little by itself. In this sense, American supremacy is illusory.

This, however, is not all Soros argues. His mind has a way of stretching a bit greedily for rich philosophical structures. One of his earlier books expounded on something called "reflexivity," essentially the idea that reality and the perception of reality affect one another, prompting the *Economist* to write that "Mr Soros gorged on chopped philosophy, mashed economics and facts and figures swimming in grease. It was too much. Before he knew what was happening, out rushed this book."

Soros' latest volume presents another digestive challenge. The concept of reflexivity is hauled out again, along with "the human uncertainty principle" and "the postulate of radical fallibility," and all point to the verdict that Bush is wrong on domestic issues too. The president's unilateralist foreign policy is a cover to justify an assault on civil liberties at home. Invoking his early life as a Hungarian Jew living under Nazi and then Soviet tutelage, Soros cites Bush's famous formulation: "Either you are with us, or you are with the terrorists." "This is not the America I chose as my home," Soros declares ominously.

Soros is not a man you dismiss lightly. In his financial career, he spotted unsustainable bubbles with enviable skill: His Quantum Fund averaged 31 percent returns for more than a decade and left him with a personal fortune of \$7 billion.

And in his philanthropic career, Soros has chosen admirable causes: He has given away nearly \$5 billion to foster democracy in ex-Communist Europe, supporting everything from reconstruction in Bosnia to exit polls in Georgia. In Russia, where he paid stipends to tens of thousands of scientists whose state jobs collapsed along with the Soviet order, and where he fought AIDS,

sponsored the independent media, and commissioned new history text books, Soros is rightly considered a hero.

But is Soros' latest bet a winner? Soros was early to spot something that clearly resonated in the Democratic primaries: A president who had promised a "humble" foreign policy in campaign debates had veered over to the opposite extreme. But if you strip away Soros' philosophical waffle you are faced in the end with a paradox. The idealism that animates Soros' philanthropy—the idealism that makes him a hero across Eastern Europe—is not unlike the idealism of George Bush, who wants to defeat terrorists who are indeed evil and to make Iraq into a democracy. Bush's idealism redeems his foreign policy, at least to some degree. Which is one reason why voters may not condemn him in November—and why the idealistic speculator who has hounded him this past year may ultimately be confounded.

*Sebastian Mallaby is a member of the Washington Post editorial page staff. The World's Banker, his book on the World Bank under James Wolfensohn, will be published in September.*

*Illustration of George Soros by Charlie Powell.*

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