

Soros Says Brexit Has ‘Unleashed’ a Financial-Markets Crisis

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Britain’s decision to leave the European Union has “unleashed” a crisis in financial markets similar to the global financial crisis of 2007 and 2008, George Soros told the European Parliament in Brussels.

“This has been unfolding in slow motion, but Brexit will accelerate it. It is likely to reinforce the deflationary trends that were already prevalent,” the billionaire investor said on Thursday.

Soros rose to fame as the money manager who broke the Bank of England in 1992, netting a profit of \$1 billion with a wager that the U.K. would be forced to devalue the pound and pull it from the European Exchange Rate Mechanism. He has warned that a hard landing in China is “practically unavoidable,” arguing that its debt-fueled economy resembles the U.S. at the onset of the financial crisis.



Continental Europe’s banking system hasn’t recovered from the financial crisis and will now be “severely tested,” Soros said. “We know what needs to be done. Unfortunately, political and ideological disagreements within the euro zone have stood in the way” of using the [European Stability Mechanism](#) as a backstop, he said.

The investor warned before the U.K. referendum that the pound may slump more than 20 percent against the dollar if Britain voted to leave. Britain’s currency plunged to the lowest in 31 years after the result.

Brexit Bet

Soros was “long” the pound before Britain’s vote to leave the EU, a spokesman said in an e-mailed statement on Monday. “Because of his generally bearish outlook on world markets,” Soros did profit from other investments, according to the statement.

The U.K.’s decision meant “the hypothetical became very real,” Soros said on Thursday. “Sterling plunged, Scotland threatened to break away, and some of the working people who supported the ‘Leave’ campaign have started to realize the bleak future that both the country and they personally face. Even the champions of Leave are retracting their dishonest pre-referendum claims about Brexit.”

The euro region has lagged behind other regions in the global recovery, following the last financial crisis, “because of restrictive fiscal policies; now it has to contend with an impending slowdown,” Soros said. “The orthodoxy of German policy makers stands in the way of the only effective response: having a euro-zone budget that could adopt counter-cyclical policies.”

Describing the actions of former Federal Reserve Governor Ben Bernanke during the financial crisis as the

"right approach," Soros said Europe is in a "deflationary trap."

'Unfortunate Misconception'

"Here you are caught in this unfortunate misconception about government debt," he said. "You need growth and then everything falls into place."

Soros urged the EU not to "penalize" British voters while ignoring their legitimate concerns about the shortcomings of the bloc. "European leaders should recognize their own mistakes and acknowledge the democratic deficit in the current institutional arrangements," he said.

"Will disaffected voters in France, Germany, Sweden, Italy, Poland and everywhere else see the EU benefiting their lives?" Soros asked. "If the answer is yes, the EU will emerge stronger. If the answer is no, it will eventually blow apart."

Soros said that when he was invited to speak at the parliament, "the refugee crisis was the greatest problem Europe faced. Since then, it has played a crucial role in bringing about what may prove to be an even greater calamity -- Brexit."