The 1992 withdrawal of the UK from the European Exchange Rate Mechanism, designed as a forerunner to a European political and currency union, sent shockwaves around the continent.

On 16th September 1992 – Black Wednesday – the UK government attempted unsuccessesfully to prevent a devaluation of the pound. Conservative Prime Minister John Major and Chancellor Norman Lamont raised interest rates during the day from 10% to 12% and then to 15% and they authorised the spending of billions of pounds in a desperate effort to keep the pound within the range allowed by the ERM.

The UK had joined the system as it had hoped to get a German-style economy, with stability and low inflation. Although the move did give the UK low inflation, it did not provide a stable economy. On Black Wednesday, after two years’ membership, the UK crashed out of the ERM and never rejoined the system.

George Soros, the Hungarian-born global financier, is said to have made a huge profit out of this situation. Confident that the pound would have to be devalued, he borrowed heavily – a reported £6.5 billion – to bet on this devaluation. After Black Wednesday and paying back his original loans, he is said to have made around £1 billion profit, giving him the name ‘the man who broke the Bank of England’.

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