

# The New York Review of Books

## My Philanthropy

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George Soros

1.

The formative experience of my life was the German occupation of Hungary in 1944. I was Jewish and not yet fourteen years old. I could have easily perished in the Holocaust or suffered lasting psychological damage had it not been for my father, who understood the dangers and coped with them better than most others. He had gone through a somewhat similar experience in World War I, which prepared him for what happened in World War II.

When the Germans occupied Hungary on March 19, 1944, my father knew exactly what to do. He realized that these were abnormal times and people who followed the normal rules were at risk. He arranged false identities not only for his immediate family but also for a larger circle. He charged a fee, sometimes quite an exorbitant one, to those who could afford it, and helped others for free. I had never seen him work so hard before. That was his finest hour. Both his immediate family and most of those whom he advised or helped managed to survive.

Instead of submitting to our fate we resisted an evil force that was much stronger than we were—yet we prevailed. Not only did we survive, but we managed to help others. This left a lasting mark on me, turning a disaster of unthinkable proportions into an exhilarating adventure.<sup>1</sup> That gave me an appetite for taking risk, and under my father's wise guidance I learned how to cope with it—exploring the limits of the possible but not going beyond them. I relish confronting harsh reality, and I am drawn to tackling seemingly insoluble problems.

I occupy an exceptional position. My success in the financial markets has given me a greater degree of independence than most other people. This obliges me to take stands on controversial issues when others cannot, and taking such positions has itself been a



*George Soros in Hungary, 1946; from his father Tivadar Soros's memoir *Masquerade*, which has just been reissued by Arcade*

source of satisfaction. In short, my philanthropy has made me happy. What more could one ask for? I do not feel, however, that I have any business imposing my choices on others.

I have made it a principle to pursue my self-interest in my business, subject to legal and ethical limitations, and to be guided by the public interest as a public intellectual and philanthropist. If the two are in conflict, the public interest ought to prevail. I do not hesitate to advocate policies that are in conflict with my business interests. I firmly believe that our democracy would function better if more people adopted this principle. And if they care about a well-functioning democracy, they ought to abide by this principle even if others do not. Just a small number of public-spirited figures could make a big difference.

Over thirty years I have contributed more than \$8 billion to the worldwide network of Open Society Foundations, which have in turn supported other global and local organizations. Among much else, these foundations and groups have been able to foster free speech and civil society under Communist and other authoritarian regimes; to expose corruption in oil-rich and mineral-rich states; to support democratic resistance in Burma and other repressive countries; and to attempt to remedy poverty and drug addiction, and improve education, in many places, from Haiti to Baltimore.

I am on the whole satisfied, but I have two big concerns. First, what will happen to the Open Society Foundations when the president, Aryeh Neier, and I are no longer around? Second, and more importantly, what more could we still accomplish during my lifetime? When I established the Open Society Foundations, I did not want them to survive me. The fate of other institutions has taught me that they tend to stray very far from the founders' intentions. But as the Open Society Foundations took on a more substantial form, I changed my mind. I came to realize that terminating the foundations' network at the time of my death would be an act of excessive selfishness. A number of very capable people are devoting their lives to the work of the Open Society Foundations; I have no right to pull the rug out from under them.

More importantly, we have identified a sphere of activity that needs to be carried on beyond my lifetime and whose execution does not really require either Aryeh's presence or mine. That niche consists of empowering civil society to hold government accountable. In the United States, there are a number of institutions, such as the American Civil Liberties Union, that are devoted to making sure that the government upholds the rights of all people and adheres to the restrictions on state power established by the Constitution. In most other countries, there are no such institutions, and they are badly needed. In many countries wealthy people are too dependent on the government to be in a position to provide such support, and in developing countries there is not enough wealth. Hence the niche for the Open Society Foundations. I have also identified some other activities, such as providing legal protection for the poor, that fall in the same

category of sustaining basic rights. These are worthwhile objectives, and the network of foundations will be able to serve them beyond my lifetime.

What will be missing when I am gone is the entrepreneurial and innovative spirit that has characterized the Open Society Foundations. I have tried to deal with problems as they arose through a process of trial and error. I was able to move fast and take big risks. The governing board that will succeed me will not be able to follow my example; it will be weighed down by fiduciary responsibilities. Some of its members will try to be faithful to the founder's intentions; others will be risk-averse.

I should like to appoint six to eight vice-presidents who could take charge of discrete portions of the organization and report to an incoming president—that would leave him or her time to formulate strategy and consider new initiatives. But we must avoid a centralized structure at all cost. At present most of the innovative ideas come from within the networks we have sponsored, not from the top. The best people working in the Open Society Foundations take a proprietary interest in their sphere of activities, and I am constantly surprised by how much they accomplish. I don't want to lose that spirit.

That is the main reason why I have decided to set up a School of Public Policy at the Central European University in Budapest. An institution of learning can keep abreast of developments and identify both problems and solutions as they arise in a way that the board of a foundation cannot. I have great hopes for the School of Public Policy. It has the potential to become the leading institution of its kind. It can combine the practical experience of the foundations' network, which is engaged in practically all the central issues of our day, with the theoretical knowledge that can be pursued in a university. Currently our practical engagement with these burning issues exceeds our theoretical understanding; in other words, we have more money than ideas. We need to generate more ideas in order to use our money more effectively.

Like most such projects, this one also has a flaw. The best thinking cannot all be found in the same place. Therefore, the school has to go where the ideas are. It has to be a new kind of global institution dealing with global problems. It has to have a critical mass in Budapest, where the CEU is located, but it has to have a global outreach. The combination of theoretical knowledge with practical experience could then offer an excellent introduction to those who wish to enter the field of public policy. To fulfill my hopes, the school would have to institutionalize the entrepreneurial and exploratory spirit that currently imbues the Open Society Foundations. That would involve taking a critical look at our prevailing beliefs and practices.

In each country we start with supporting critical thinking or dissident activity, and we move in quickly when a new government comes to power and has good intentions but lacks the capacity to deliver. This has happened, for example, in several Eastern European countries. And we have been more persistent than official aid agencies, maintaining a presence long after they have moved on. The same is true of issues of

global governance: we are not always the first to recognize them, but once we become aware of them, we remain committed to them, be it the Global Fund to Fight AIDS, Tuberculosis and Malaria, drug policy, or measures to deal with climate change.

Our main difficulty has been in keeping our network of national foundations and “legacy” programs from going stale because that requires almost as much effort as starting new ones; yet my bias has been to focus on the cutting edge. That is where I look for relief from the School of Public Policy. It should explore new frontiers; therefore it should be able to keep the continuing programs up to date even in my absence.

I am looking for novel solutions in order to make an untidy structure manageable. For instance, we are experimenting in countries like Thailand and Malaysia with forming local advisory boards without establishing full-fledged foundations. The boards could provide advice on local conditions, and the programs would be carried out by independent grantees or one of our network programs that already exist within or outside those countries. In that way the combination of local and programmatic knowledge would be preserved without maintaining expensive local organizations, which tend to become preoccupied with distributing money to a clientele. If that works, we could convert existing national foundations to the new format; alternatively they could join the network of Open Society organizations, especially if they can raise money from other sources.

Having decided that the Open Society Foundations should survive me, I have done my best to prepare them for my absence. But it would contradict my belief that all human constructs are flawed if I had fully succeeded. Therefore, I bequeath my successors the task of revising any of the arrangements I shall have left behind in the same spirit in which I have made them.

## 2.

As I see it, mankind’s ability to understand and control the forces of nature greatly exceeds our ability to govern ourselves. Our economy has become global; our governance has not. Our future and, in some respects, our survival depend on our ability to develop the appropriate global governance. This applies to a variety of fields: global warming and nuclear proliferation are the most obvious, but the threats of terrorism and infectious diseases also qualify; so do global financial markets. In the aftermath of the financial crisis of 2008, it is not enough to stabilize and restart the financial markets; we must reinvent a global financial system that has broken down. Having reached this insight, I cannot afford not to address these issues.

I have two top priorities. One is personal; the other is for my foundations. On the personal level my primary interest is to develop my conceptual framework. The theory of reflexivity I have developed over the years was studiously ignored or disparaged by

academic economists and to a lesser extent by financial regulators. Mervyn King, the governor of the Bank of England, dismissed it.<sup>2</sup> All this has changed as a result of the financial crisis. King radically revised his views: he recognized that the instability of financial markets is, as I have argued, mainly inherent to them, not caused by external factors. Lord Adair Turner, head of Britain's Financial Stability Authority, publicly embraced reflexivity. So did Alan Greenspan, but only in private conversation. Paul Volcker had been my friend and supporter before; now we have grown much closer.

I passionately disagreed with Treasury Secretary Hank Paulson's plan to bail out the banks by using a public fund called the Troubled Asset Relief Program (TARP) to help banks take toxic assets off their balance sheets. I argued that it would be much better to put the money where the hole was and replenish the equity of the banks themselves. I worked closely with the Democratic leadership in Congress to modify the TARP act so as to allow the money to be used for the purchase of equity interests. I had many other ideas that I hoped would be put into practice when Obama became president, including a fundamental reform of the mortgage system, but that did not happen. I published a series of articles in the *Financial Times* but got little response from the Obama administration. I had many more discussions with Larry Summers before he became the President's economic adviser than I did afterward. My greatest disappointment was that I was unable to establish any kind of personal contact with President Obama himself.

The change of attitude among academic economists was much more gratifying. There was a widespread recognition that the prevailing paradigm had failed and a willingness to rethink its basic assumptions. At the instigation of Anatole Kaletsky, I agreed to become the sponsor of the Institute for New Economic Thinking (INET), whose mission was to break the monopoly that the efficient market hypothesis and rational expectations theory enjoyed in academic and official circles. I convened a group of distinguished economists, including several Nobel Prize winners, and they responded enthusiastically. A board was formed under the chairmanship of Joe Stiglitz. My friend and former colleague Rob Johnson became president of INET and provided inspired leadership. An initial workshop at King's College, Cambridge was a resounding success.

I found a cosponsor in Jim Balsillie, of BlackBerry fame, and we are on the way to achieving a two-to-one match of funds. I consider this essential to ensure the independence of INET, since I am the advocate of an alternative paradigm as well as a sponsor. This will give me an excellent opportunity to develop my conceptual frame further, although I see limits to how far I can go. I am too old to learn economic



George Soros working on Wall Street, 1962

modeling, especially as I was no good at math even when I was young. I am also interested in the issues of global regulation and reform of the international currency system. As I immerse myself in these subjects, however, I realize that it would be a misuse of my time and energy to get bogged down in details. I can be more productive by sticking to the big picture. This brings me to my top priority for the Open Society Foundations.

The United States has been a democracy and open society since its founding. The idea that it will cease to be one seems preposterous; yet it is a very likely prospect. After September 11, the Bush administration exploited the very real fear generated by the terrorist attack, and by declaring “war on terror” was able to unite the nation behind the commander-in-chief, lead it to invade Iraq on false pretenses, and violate established standards of human rights in pursuing and interrogating terrorists.

The war on terror forced me to reconsider the concept of open society. My experiences in the former Soviet Union had already taught me that the collapse of a closed society does not automatically lead to an open one; the collapse may be seemingly bottomless, to be followed by the emergence of a new regime that has a greater resemblance to the regime that collapsed than to an open society. Now I had to probe deeper into the concept of open society that I had adopted from Karl Popper in my student days, and I discovered a flaw in it.

Popper had argued that free speech and critical thinking would lead to better laws and a better understanding of reality than any dogma. I came to realize that there was an unspoken assumption embedded in his argument, namely that the purpose of democratic discourse is to gain a better understanding of reality. It dawned on me that my own concept of reflexivity brings Popper’s hidden assumption into question. If thinking has a manipulative function as well as a cognitive one, then it may not be necessary to gain a better understanding of reality in order to obtain the laws one wants. There is a shortcut: “spinning” arguments and manipulating public opinion to get the desired results. Today our political discourse is primarily concerned with getting elected and staying in power. Popper’s hidden assumption that freedom of speech and thought will produce a better understanding of reality is valid only for the study of natural phenomena. Extending it to human affairs is part of what I have called the “Enlightenment fallacy.”

As it happened, the political operatives of the Bush administration became aware of the Enlightenment fallacy long before I did. People like me, misguided by that fallacy, believed that the propaganda methods described in George Orwell’s *1984* could prevail only in a dictatorship. They knew better. Frank Luntz, the well-known right-wing political consultant, proudly acknowledged that he used *1984* as his textbook in designing his catchy slogans. And Karl Rove reportedly claimed that he didn’t have to study reality; he could create it. The adoption of Orwellian techniques gave the Republican propaganda machine a competitive advantage in electoral politics. The other

side has tried to catch up with them but has been hampered by a lingering attachment to the pursuit of truth.

Deliberately misleading propaganda techniques can destroy an open society. Nazi propaganda methods were powerful enough to destroy the Weimar Republic. Different but in some ways similar methods have been used in the United States and further refined. Although democracy has much deeper roots in America than in Germany, it is not immune to deliberate deception, as the Bush administration demonstrated. You cannot wage war against an abstraction; yet the war on terror remains a widely accepted metaphor even today.

How can open society protect itself against dangerously deceptive arguments? Only by recognizing their existence and their power to influence reality by influencing people's perceptions. People's thinking is part of the reality they need to understand, and that makes the understanding of reality much harder than the philosophers of the Enlightenment imagined. They envisioned reason as something apart from reality, acting as a searchlight illuminating it. That is true for natural science but not human affairs. In political discourse we must learn to give precedence to the understanding of reality; otherwise the results will fail to conform to our expectations. Karl Popper took it for granted that the primary purpose of political discourse is the pursuit of truth. That is not the case now; therefore we must make it so. What was a hidden assumption in Popper's argument must be turned into an explicit requirement for open society to prevail.

I thought I had a convincing argument in favor of the truth. Look at the results of the Bush policies: they were designed to demonstrate America's supremacy, and they achieved the exact opposite; American power and influence suffered a precipitous decline. This goes to show, I argued, that it is not enough to manipulate perceptions; it is important to understand how the world really works. In other words, the cognitive function must take precedence over the manipulative function. That is the additional requirement I put into my definition of open society, but obviously it did not have an effect on the public that reelected Bush in 2004.

The election of President Obama in 2008 sent a powerful message to the world that the US is capable of radically changing course when it recognizes that it is on the wrong track. But the change was temporary: his election and inauguration were the high points of his presidency. Already the reelection of President Bush had convinced me that the malaise in American society went deeper than incompetent leadership. The American public was unwilling to face harsh reality and was positively asking to be deceived by demanding easy answers to difficult problems.

The fate of the Obama presidency reinforced that conviction. Obama assumed the presidency in the midst of a financial crisis whose magnitude few people appreciated, and he was not among those few. But he did recognize that the American public was averse to facing harsh realities and he had great belief in his own charismatic powers. He

also wanted to rise above party politics and become—as he put it in his campaign speeches—the president of the *United States of America*. Consequently, he was reluctant to forthrightly blame the outgoing administration and went out of his way to avoid criticism and conflict. He resorted to what George Akerlof and Robert Shiller called the “confidence multiplier” in their influential book *Animal Spirits*. Accordingly, in the hope of moderating the recession, he painted a rosier picture of the economic situation than was justified.

The tactic worked in making the recession shorter and shallower than would have been the case otherwise, but it had disastrous political consequences. The confidence multiplier is, in effect, one half of a reflexive feedback loop: a positive influence on people’s perceptions can have a positive feedback in its effects on the underlying economic reality. But if reality, for example the unemployment rate, fails to live up to expectations, confidence turns to disappointment and anger; that is the other half of the reflexive feedback loop, and that is what came to pass.

The electorate showed little appreciation of Obama for moderating the recession because it was hardly aware of what he had done. By avoiding conflict Obama handed the initiative to the opposition, and the opposition had no incentive to cooperate. The Republican propaganda machine was able to convince people that the financial crisis was due to government failure, not market failure. According to the Republican narrative, the government cannot be trusted and its role in the economy—both regulation and taxation—should be reduced to a minimum.

The Republicans had good reason to take this line: it is a half-truth that advanced their political agenda. What is surprising is the extent of their success. The explanation lies partly in the power of Orwell’s Newspeak and partly in the aversion of the public to facing harsh realities.

On the one hand, Newspeak is extremely difficult to contradict because it incorporates and thereby preempts its own contradiction, as when Fox News calls itself fair and balanced. Another trick is to accuse your opponent of the behavior of which you are guilty, like Fox News accusing me of being the puppet master of a media empire. Skillful practitioners always attack the strongest point of their opponent, like the Swiftboat ads attacking John Kerry’s Vietnam War record. Facts do not provide any protection, and rejecting an accusation may serve to have it repeated; but ignoring it can be very costly, as John Kerry discovered in the 2004 election.

On the other hand, the pursuit of truth has lost much of its appeal. When reality is unpleasant, illusions offer an attractive escape route. In difficult times unscrupulous manipulators enjoy a competitive advantage over those who seek to confront reality. Nazi propaganda prevailed in the Weimar Republic because the public had been humiliated by military defeat and disoriented by runaway inflation. In its own quite

different way, the American public has been subjected to somewhat comparable experiences, first by the terrorist attacks of September 11, and then by the financial crisis, which not only caused material hardship but also seemed to seal the decline of the United States as the dominant power in the world. With the rise of China occurring concurrently, the shift in power and influence has been dramatic.

The two trends taken together—the reluctance to face harsh reality coupled with the refinement in the techniques of deception—explain why America is failing to meet the requirements of an open society. Apparently, a society needs to be successful in order to remain open.

What can we do to preserve and reinvigorate open society in America? First, I should like to see efforts to help the public develop an immunity to Newspeak. Those who have been exposed to it from Nazi or Communist times have an allergic reaction to it; but the broad public is highly susceptible.

Second, I should like to convince the American public of the merits of facing harsh reality. As I earlier wrote, I have from my childhood been drawn to contending with what may seem insurmountable challenges. Those in charge of Fox News, Rupert Murdoch and Roger Ailes, have done well in identifying me as their adversary. They have done less well in the methods they have used to attack me: their lies shall not stand and their techniques shall not endure.

But improving the quality of political discourse is not enough. We must also find the right policies to deal with the very real problems confronting the country: high unemployment and chronic budget and trade deficits. The financing of state and local governments is heading for a breakdown. The Republicans have gained control of the agenda, and they are promoting a misleading narrative: everything is the government's fault. The Democrats are forced into fighting a rearguard battle, defending the opposite position.

We need to undertake a profound rethinking of the workings of our political system and recognize that half-truths are misleading. The fact that your opponent is wrong does not make you right. We must come to terms with the fact that we live in an inherently imperfect society in which both markets and government regulations are bound to fall short of perfection. The task is to reduce the imperfections and make both private enterprise and government work better. That is the message I should like to find some way to deliver.

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1. 1

My father wrote an eminently readable memoir of our adventures in 1944. See Tivadar Soros, *Masquerade: Dancing around Death in Nazi-Occupied Hungary* (Arcade,

2001; reissued in 2011 as *Masquerade: The Incredible True Story of How George Soros' Father Outsmarted the Gestapo* ). It was [reviewed in these pages](#) by István Deák, November 15, 2001. ↵

2. 2

See "[The Crisis and What to Do About It](#)," *The New York Review* , December 4, 2008. On the theory of reflexivity, see my most recent book on the subject, *The New Paradigm for Financial Markets: The Credit Crisis of 2008 and What It Means* (PublicAffairs, 2008), and [John Cassidy's review](#) in *The New York Review* , October 23, 2008. ↵