

The Age of Fallibility

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GEORGE SOROS

The Age of Fallibility

THE CONSEQUENCES OF
THE WAR ON TERROR



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GEORGE SOROS

Prologue

Many people dream about making the world a better place, but I have been fortunate in being able to fulfill my dreams more than most. That said, my influence has been greatly exaggerated. I was labeled “the man who broke the Bank of England” when the United Kingdom was forced to leave the European Exchange Rate Mechanism. Mohamed Mahatir, the former prime minister of Malaysia, accused me of causing the Asian financial crisis of 1997. President Vladimir Putin of Russia holds me responsible for the so-called color revolutions in Georgia and Ukraine. And I was accused of trying to buy the election after I took a stand against the reelection of President George W. Bush in 2004. All these claims are overstated, or unfounded. For instance, I did not trade in Asian currencies for several months prior to the crisis so I could not have caused it. But the fact remains that I did play a role in some of these events, and many others. My foundations were active in the countries that formed part of the Soviet empire and supported the forces striving to turn those countries into open societies. They provided some cushion for culture, education, and science when the monolith of the communist state collapsed. They helped educate a new, self-conscious Roma (gypsy) elite. The Decade of Roma Inclusion, which brought together nine

governments, the European Union and the World Bank in a concerted effort to improve the lot of the Roma, was my idea. During the Balkan wars of the nineties, my foundation, staffed by brave people, did what it could to ease the horror that befell Sarajevo. I have also been a moving force behind the Publish What You Pay campaign and the Extractive Industries Transparency Initiative. Rightly or wrongly, I have come to think that I can have an influence on the course of events, that I can have a policy.

How did I reach this privileged position? That is a long story and I have already told it in bits and pieces. To sum it up, I believe I combine three qualifications. First, I have developed a conceptual framework that has given me a certain understanding of history, and, in particular, what I call far-from-equilibrium situations; second, I have a set of firm ethical and political beliefs; and third, I have made a lot of money. Many people have one or two of these attributes, but the combination of all three is unusual. In addition, the network of nonprofit foundations I have established provides me with a firm base of local knowledge on the basis of which I can claim the right to be heard on a variety of issues. And the people who run these foundations have a right to participate in the political life of their country, a right that I, as an outsider, may not have.

In the early days, I was a loner. When the Soviet system collapsed, my foundations could accomplish a lot on their own; but when I tried to cooperate with other institutions or governments, I met with little success. Events moved too fast for people to keep up with them. For a long time my foundations were practically the only game in town, and that made them very influential; but when I proposed various policy

initiatives, my suggestions usually fell on deaf ears. Since then, the situation has practically reversed. My ability to accomplish things on my own has greatly diminished, partly because I am taking on bigger issues and partly because I am not the only player on the field. On the other hand, I have acquired considerable convening power. I can help move issues forward by taking the initiative, or simply by participating. This allows me to form policy and take a stand on issues better than in the early days.

I should like to clarify where I stand. My goal is to make the world a better place. There is nothing unusual about that. Many people share my aspiration and work at it more selflessly than I do. What sets me apart is that I am able to do it on a larger scale than most others. When he was prime minister of Macedonia, Branko Crvenkovski, once described me as a stateless statesman. “States have interests but no principles,” he said. “You have principles but no interests.” I like that formulation and I try to live up to it. The world is badly in need of stateless statesmen.

Our society is suspicious of those who claim to be virtuous and not without justification. Many rich people who form foundations have ulterior motives for doing so. I like to believe I am different. Being able to do the right thing is a rare privilege, and exercising that privilege is ample reward. But I always tell people who question my motives that they are right to do so. When I claim to be disinterested, the burden of proof is on me.

As a stateless statesman, I face a number of obstacles. First, I am not really disinterested. I have to confess that I have a desire to make an impact and it gives me satisfaction to be involved in historical events. Second, I do not have perfect

knowledge. I am bound to be wrong. I made my fortune in financial markets by understanding this and correcting my mistakes. In the area of world affairs, being wrong has more lasting consequences. Third, I recognize that no one has elected me or appointed me as a guardian of the public interest; I have taken on that role for myself. People are rightly suspicious of someone who can have a policy but is not accountable to the public. Nevertheless, I believe the common interests of humanity badly need looking after and it is better to do it imperfectly than not to try at all. One of my heroes, Sergei Kovalyov, once said to me, "All my life, I have been fighting for losing causes." He was a former Soviet dissident who then became ombudsman in the Russian Duma and played an important role in settling the first war in Chechnya. I try to follow in his footsteps. In the financial markets, I take positions in order to win. In the social sphere, I take positions because I believe in them whether I succeed or not. That is the difference between financial markets which are not governed by moral considerations and the social sphere where morality ought to play a role.

I am now over seventy-five years old and my personal time horizon is getting shorter. Therefore, I must draw a distinction between what I can hope to accomplish in my lifetime and the mission of my foundation network after I am no longer around. I am reluctant to define my own agenda because I should like to keep it open ended, but I must begin to define the agenda of my foundations because I will not be able to do it afterwards.

This book has helped me to clarify my agenda. Sometimes I see things clearly. At those moments I can take decisive action. This has happened many times in my financial career.

The best known example is when I “broke the Bank of England”. It has also happened in my philanthropic and public life. The decisions to set up a network of open society foundations when the Soviet system collapsed and to oppose the re-election of President Bush stand out. When I sat down to write this book, I did not see things clearly; that is one of the reasons why I sat down to write it. By the time I finished I came to feel I am once again at such a moment. I realize what needs to be done and I am ready to do it, even if it means fighting losing battles. My hope and aspiration is that by the time the readers have fought their way through the book, they will come to feel the same way.

I have developed a philosophy that has played a central role in my life. It has guided me in making money and spending it, although it is not about money. I know how important that philosophy is for me personally, but I am still in the process of finding out whether it can have a similar significance for others. That is my first priority and this book is probably my final effort in this regard.

Translating my philosophy into a political agenda, I can define my goal as a global open society. I pursue it on two levels. One relates to the world order, the other to the order prevailing in individual countries.

I find the world order is frustrating as a practical agenda. It involves big ideas and many words, but they do not have much impact. My foundations are used to getting things done, and that is why I find talkfests debilitating. There is much more to be done in fostering open societies in individual countries. Conditions are not always favorable, but windows of opportunity open from time to time, and when that happens, I like to swing into action.

I must explain what I mean by a global open society. I emphatically do not mean a global government. Governments by their very nature interfere with individual freedom. When there are many countries to choose from, one can emigrate; but a global government would be oppressive almost by definition. I do mean the rule of international law. The prevailing world order is unsatisfactory. The neoconservatives (or neocons, as they are now called) are right on this point: International relations are governed by force, not by law. That has to change: international law must be enforced. That requires stronger international institutions than we currently have. Obviously we need the International Criminal Court (ICC); but we also need other institutions that are less obvious. The World Trade Organization (WTO) is a good example because it has an effective enforcement mechanism. The WTO is much criticized for being unfair to developing countries, and that needs to be remedied by changing the rules; but the structure itself is exemplary.

A global open society has to recognize that all rules are imperfect and subject to improvement. We also need rules for changing the rules, but they do not necessarily need to be codified because that could lead to an unending quibble about words. We already have a taste of it in the General Assembly of the United Nations. Let usage determine the rules—there is much to be said for common law in international relations.

I have described the frame for a global open society. It needs to be filled with content. Here I refuse to propose a timelessly valid prescription because every society and every generation has to define the meaning of open society for itself. The prevailing form of globalization is lopsided. Markets, especially financial markets, have become global, but

the institutions that are needed for a society to flourish, or even to survive, have not. Political arrangements are based on the sovereignty of states; they are not sufficient to take care of the collective interests of humanity, such as peace, security, the environment, social justice, and even the stability of financial markets.

Sovereignty is an anachronistic concept; it has been inherited from an age when kings ruled over their subjects. In the French Revolution, the King was beheaded and the people took over the sovereignty of the state. Although it would be utopian to replace the people's sovereignty with something else, that principle, on its own, is inadequate for today's increasingly interdependent world. There are many concerns that transcend national borders. For instance, we are facing a global energy crisis. And within national borders, the rulers often abuse their power. When the abuse reaches the point where the people have no other recourse, the international community has a responsibility to intervene. This is a case for what Karl Popper has called piecemeal social engineering, and I am ready to engage in it personally and through my foundations.

I am always engaged in a large number of projects, and the list changes all the time. Some projects succeed, others fail. I tend to get more involved in those that make progress on their own and drop those that need too much pushing. For instance, I have supported the Community of Democracies ever since it was launched by the Warsaw Declaration in 2000 because I subscribe to its principles but as a project for the foundations, I always considered it marginal. After the 2005 conference in Chile, which was a useless talkfest, I was inclined to drop it, but after the formation of the United Na-

tions Human Rights Council it may have a future after all. By contrast, the Publish What You Pay campaign launched in 2002 has developed into a successful movement against the misuse of revenues from natural resources and I have become deeply engaged in it.

Writing the book has helped me to establish future priorities. Some of them are quite far removed from our previous activities. I have identified two problems that endanger our survival: the global energy crisis and nuclear proliferation. As regards the former, we are already at the cutting edge of dealing with the resource curse and we are getting engaged in global warming. The Russian policy of using gas contracts both to suborn neighboring countries and to divert what ought to be public revenues for private benefit will be a particular field of interest. Nuclear proliferation, by contrast, has been entirely outside the purview of my foundations. I do not know what we can do about it but we cannot disregard it.

The main obstacle to a stable and just world order is the United States. This is a harsh – indeed, for me, painful – thing to say, but unfortunately I am convinced it is true. The United States continues to set the agenda for the world in spite of its loss of influence since 9/11, and the Bush administration is setting the wrong agenda. The Bush agenda is nationalistic: it emphasizes the use of force and ignores global problems whose solution requires international cooperation. The rest of the world dances to the tune the United States is playing, and if that continues too long we are in danger of destroying our civilization. Changing the attitude and policies of the United States remains my top priority.

The task has become more complicated since the 2004 elections, and that was the source of my confusion when I sat

down to write this book. It is no longer a question of removing President Bush from the White House; a more profound rethinking of America's role in the world is needed. It is not enough to revert to the policies of the previous administration; America must undergo a change of heart. The process must begin with recognizing the war on terror as a false metaphor. It is now accepted that the invasion of Iraq was a grievous error but the war on terror remains the generally accepted policy.

The change of heart cannot be accomplished merely by helping the Democratic Party in the 2006 and 2008 elections because Democrats show no sign of engaging in a profound rethinking. On the contrary, Democrats have been so spooked by the Republican charge that they are soft on defense, that they are determined to outdo the Republicans in the war on terror. Nevertheless, I think it is important that the Democratic Party gain control of the House of Representatives in 2006. A Democratic-controlled House could reveal the misdeeds of the Bush administration which are currently kept under wraps.

Because of the way congressional districts have been gerrymandered, capturing the House will be no easy task in spite of the swing in public opinion against the Bush administration. Moreover, the Republican Party is supported by a well-financed conservative movement, and the Republican National Committee has an electoral machinery that is far superior to that of the Democratic National Committee. There is an urgent need to strengthen the Democratic Party in order to create a more level playing field. The financial restrictions imposed by the McCain-Feingold Act will make this difficult. The Republican National Committee will enjoy a con-

tinuing advantage because it built up its machinery before those restrictions went into effect.

The ultimate objective has to be to recapture the Republican Party from the conservative and religious extremists who now control it. American democracy is built on two parties competing for the middle ground. The system was undermined when extremists captured the Republican Party. If we are to restore the balance, the extremists must be routed. A resounding Democratic victory in 2006 would achieve that.

I do not feel comfortable about engaging in partisan politics, especially since the Democratic Party does not stand for the policies that I advocate; indeed, if it did, it could not be elected. I would prefer to be above politics. I feel obliged, however, to support the Democratic Party until the Republican Party is recaptured from the extremists. I should also like to support think tanks and advocacy organizations that could provide a counterweight to the conservative movement, but I do not want them to become a mirror image. If the conservative movement poses a threat to open society, a progressive movement that uses the same methods would merely reinforce the threat. Yet the conservative movement has proven itself very effective. How can a counterweight be equally effective yet abide by the principles of open society? That is a problem that baffles me.

My emphasis on the role of the United States as the source of stability in the world and the protector of our civilization is somewhat exaggerated on account of personal considerations. I chose the United States as my home, so I have a vested interest in justifying my choice. Moreover, I am obliged to adopt an American point of view when I am engaged in trying to influence American policy. But I am also a European. The failure of

the United States to exercise the right kind of leadership has led me to believe that Europe could play a more important role, and if it did so, it could set an example that America could follow. The time may be right for launching a European open society foundation. I am also working on setting up an Arab Cultural Fund. A common language could bring closer together countries that are in danger of being torn apart by sectarian conflict, and culture could serve as a counterweight to the radicalization of Islam. Needless to say, both the European and Arab initiatives must have local sponsors and leaders. My foundation can provide only the initial impetus and funding.

The precipitous decline in the power and influence of the United States has made the world more unstable. I am a sponsor and supporter of the International Crisis Group (ICG), whose mission is to anticipate crises before they arise as well as to analyze them and suggest solutions. The landscape is crowded with incipient crises. I am particularly troubled by the increasingly authoritative and assertive direction Russia is taking. I wound down my foundation in Russia just in time to avoid persecution, but am committed to keeping the flame of freedom alive there. I am also ready to do what I can to help the countries of the “near abroad” that have been able to hold free elections to maintain their independence from Russia.

Originally, I did not want my foundations to survive me. I had grave reservations about philanthropy because it goes against the grain of the human character. We are selfish by nature, but philanthropists are supposed to act selflessly; this gives rise to all kinds of contradictions as well as a tendency toward hypocrisy. I felt that as a founder I was in a better position to protect the foundation against these pitfalls than a board guided by institutional responsibilities.

I have since changed my mind. I came to feel that I would be selfish if I allowed the foundation to die with me. After all, many people are devoting their lives to the foundation. Why should their work be terminated with my death? But that was not the deciding consideration, because I believe that the foundation staff should serve the mission of the foundation rather than the other way around. I realized that the foundations do have a mission which they could continue to fulfill without me. That mission is to support civil society in monitoring the performance of governments. That is an essential function of civil society in a democracy, but it is difficult to get support for it from other philanthropists, particularly in less-developed countries. I gained this insight in South Africa, where the ruling party has an absolute majority; nevertheless, the conditions of an open society are preserved by an independent judiciary and a civil society that is willing to hold the government accountable. Parallel to supporting civil society, the foundation should also assist governments in building their capacity. This is an initiative I hope to put in place during my lifetime.

Beyond these two activities, I hope the foundations will continue to engage in many others. Because I want the foundations to remain as entrepreneurial as they are now, I shall refrain from defining the scope of their activities in advance. Before I started writing this book, I did not know that I would hone in on the global energy crisis; how, then, can I predict what the foundation ought to focus on when I am not around?

Introduction

Since I recently celebrated my seventy-fifth birthday this is an appropriate time for reflection. I have had a full and interesting life. There is plenty to reminisce about, but my life is not yet over, and I am not ready to write my memoirs. In any event, I would not be very good at writing them. I have a singularly bad recall for past events. I like to joke that I remember only the future. My life has passed through many phases, and each one engaged me intensely at the time I lived it. Now that I am at yet another stage, I find it difficult to recreate the earlier ones, and I do not really want to. I still prefer to look forward rather than back.

I have an abstract turn of mind and concrete events matter to me only insofar as they provide some experience or insight that is relevant to my life. It is remarkable how many events I have lived through that have passed me by without leaving much of a trace. I have also made a point of not collecting documents that would help me refresh my memory or provide raw material for a biographer. I made that decision around 1984 when I set up a foundation in Hungary in support of a civil society against the Communist regime. People working in and around the foundation were taking considerable risks, and I felt that my foundation was about them, not about me. This attitude contributed to the success of the foundation. I now regret that I did not keep more of an archive because the founda-

tion network has reached a size and importance that deserves to be properly documented. But it was the right decision at the time.

Instead of writing my memoir, I intend to expound and develop the conceptual framework that has guided me throughout my life. Since abstract ideas are difficult to communicate, I shall take an autobiographical approach. This has one major disadvantage. I shall not be able to avoid blowing my own horn; in autobiographical writing, there is nobody else to do it for me.

When I talk of expounding and developing my ideas, I have two distinct objectives in mind. Rightly or wrongly, I believe that I have gained some important insights, and I am eager to share them. At the same time, I am confronting issues that have no parallel in the past, and I feel the need to understand them better. This requires both a study of current problems and a revision and development of the framework I use. In the past, I have used my conceptual framework as a guide to action. Now that I have reached seventy-five, my scope for further action is limited. I should like this book to serve as a guide that not only I but also other people may use in their efforts to improve the world.

The problems that preoccupy me today include the war on terror, how to deal with the likes of Saddam Hussein, how to foster democratic development and alleviate poverty, and how to deal with global warming and nuclear proliferation. For some problems, I see possible solutions, other are deeply frustrating.

My biggest frustration is with the fundamental misconceptions that have prevailed in the United States in recent years. Misconceptions play a prominent role in my view of the

world. I consider them causal factors in shaping the course of history. And I consider open society a desirable form of social organization exactly because of its ability to correct misconceptions. How is it that the oldest and most successful open society has become the victim of misconceptions?

In my last book, *The Bubble of American Supremacy*, I tried to pin the blame on the Bush administration. I called the war on terror and the invasion of Iraq temporary aberrations that would be corrected in the next elections. But President Bush was reelected. I must now dig deeper and explore what is wrong with contemporary American society. That is what I intend to do in this book.

My contention is that America has become a “feel-good” society unwilling to face unpleasant reality. That is why the public could be so grievously misled by the Bush administration. Unless this feel-good attitude can be changed, the United States is doomed to lose its dominant position in the world. There will be serious adverse consequences not only for America but also for the world.

To build my case, I must start at the deep end by exploring the relationship between thinking and reality. This will be an abstract, philosophical discussion, but if I am right in saying that misconceptions play a prominent role in history, I cannot avoid it. I contend that our understanding of reality is inherently imperfect and all human constructs are flawed in one way or another. Open societies recognize our fallibility, closed societies deny it. America is an open society, but people are not well versed in philosophy and they do not fully understand the principles of open society. That is how they came to be misled. To make that argument, I must explain the concept of open society.

I have made the philosophical discussion in Part One as readable as possible and it will help make the arguments in Part Two more powerful. For instance, I explain that the truth is not as self-evident as the Founding Fathers thought when they signed the Declaration of Independence. We have discovered since then that the truth can be manipulated. To persist in the pursuit of truth, we must realize that false metaphors and other misconceptions can have unintended adverse consequences. That awareness is lacking in a large part of the electorate. Those who are not interested in this argument should turn directly to the second part of the book.

In Part Two, I address what I consider to be the most pressing problems of the present moment in history: the present dangers to America as an open society; the failings of the European Union as an open society; the difficulties in spreading democracy; the lack of a legitimate international community capable of exercising the responsibility to protect; the global energy crisis, and nuclear proliferation. I cannot claim the same kind of validity for my views on these subjects as I do for the conceptual framework. It would invalidate my framework if I did. As a participant, I cannot avoid bringing my biases to bear. My bias is already visible in the selection of the problem areas.

Here is a broad outline of the main argument of Part Two: American has fallen into the hands of extremist ideologues, led by Vice President Dick Cheney and Secretary of Defense Donald Rumsfeld, who believe that the truth can be successfully manipulated. They have successfully manipulated a born-again president and a feel-good public. But there is a reality that exceeds their comprehension and that has rendered their policies counterproductive. The root cause of

trouble is a false metaphor, the war on terror. It has done terrible damage to our standing in the world and endangered our open society at home; yet it is still generally accepted as the natural response to 9/11. I detail the damage and argue that it is largely self-inflicted by the willful misinterpretation of reality. We cannot start repairing the damage until we repudiate the false metaphor of the war on terror. We must do more than just revert to the policies we pursued prior to 9/11. We must recognize that as the dominant power in the world we have a special responsibility. In addition to protecting our national interests, we must take the leadership in protecting the common interests of humanity. I go into some detail as to what that entails.

Mankind's power over nature has increased cumulatively while its ability to govern itself has not kept pace. There is no other country that can take the place of the United States in the foreseeable future. If the United States fails to provide the right kind of leadership our civilization may destroy itself. That is the unpleasant reality that confronts us.