

Soros on Soros

Staying Ahead of the Curve

Interviews with Byron Wien and Krisztina Koenen

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The Future of the United States and Open Society

You have recently said that you are turning your attention from Eastern Europe to the West. Why is that?

The regime change in Eastern Europe is now five years old. At the height of the revolution, almost anything was possible. I attempted to seize the revolutionary moment, but on the whole, the outcome has not corresponded to my expectations. The pattern that is emerging is not a pattern of open societies. If anything, the trend is in the opposite direction. I haven't given up hope, but I recognize that the trend is set and it will take a long time and a great deal of effort to change the direction.

In the meantime, there is another regime change unfolding. It is less clearly recognized than the revolution that occurred in the former Soviet Union, but it is no less far-reaching in its implications. The stable world order that prevailed during the Cold War has broken down, and no new order has taken its place. While everybody is now aware of the revolution that has occurred in the former Soviet Union, the revolutionary transformation in international relations has still largely escaped our attention. People who have been directly affected by the collapse of the Soviet system could not help but realize that they are living through revolutionary times. The rest of the world was less directly affected; therefore, it will take them longer to become aware of the profound change that has occurred in the world order.

The Cold War was not an attractive order, but it had a large element of stability built into it. There were two superpowers, representing two diametrically opposed forms of social organization, locked in deadly combat. But they were obliged to respect each other's vital interests because they were operating in conditions of mutually assured destruction.

The system came to an end because one of the superpowers disintegrated from within. No new system has taken its place. The process of disintegration is continuing unabated and it is

now spreading from the Soviet Union to the Atlantic Alliance. The reason for the disintegration is that the open societies of the free world do not really believe in the concept of open society. They are not willing to make the effort and the sacrifice that would be necessary for the concept of open society to prevail. My goal in Eastern Europe was to promote the concept of open society. I now feel that I must switch my attention to the world at large.

That is a very ambitious goal. How do you propose to go about it?

Honestly, I don't know. I merely recognize that confining my attention to Eastern Europe is not enough. The transition from closed to open societies in Eastern Europe failed because the free world failed to provide sufficient support. I thought that I would blaze the trail, I would lead and others would follow. But now that I look back, I find that there was practically nobody behind me. I ask myself what went wrong.

Perhaps you were too idealistic.

I admit it. But I don't believe I overestimate the importance of ideals. Only when people believe in something can they move the world. The trouble is that people simply don't believe in open society as a goal worth fighting for.

But you yourself have said that open society is too complicated a concept, too full of contradictions to serve as a unifying principle.

How right you are. People may be willing to fight for king and country. They may be prepared to defend themselves against a real or imagined national or ethnic injury, but they are unlikely to rise to the defense of open society. If there was any doubt about it, Bosnia has proved the point.

What went wrong in Bosnia in your opinion?

That is too broad a question. I shall confine myself to the behavior of the Western world. It is clear that people in the West failed to understand what the Bosnian conflict was all about. It was

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not a civil war between Serbs, Croats, and Bosnian Muslims. It was a case of Serbian aggression and the use of ethnic cleansing as a means to an end. On a more profound level, it was a conflict between an ethnic and a civic concept of citizenship. Appropriately, the conflict has pitted the Serbian country folk against the city dwellers of Sarajevo and the other towns of Bosnia.

It is less clear whether the failure to understand what is at stake was deliberate or unintentional. Undoubtedly, there was a great deal of obfuscation by Western governments which were determined not to get involved. There was a lot of loose talk about how the Balkans were a hellhole of ethnic conflicts that was contradicted by the fact that three nationalities and four religions coexisted in Sarajevo for the last 400 years. But there was also a genuine lack of understanding and a genuine incapacity to deal with the problem on the part of the Western governments because they haven't learned to think in terms of open and closed societies.

Professional diplomats and statesmen are trained to deal with relations between states. They are intellectually unprepared to deal with a situation where a state like Yugoslavia disintegrates. First, they tried everything to keep it together. Secretary Baker paid a visit to Belgrade just a week or so before Slovenia and Croatia seceded from Yugoslavia. I met with Ambassador Warren Zimmerman shortly thereafter and he told me that the United States could have no objections if the Yugoslav army would keep Yugoslavia together by force, provided that federal elections were held within, say, six months.

When it proved impossible to keep Yugoslavia together, the international community tried to treat the constituent republics as if they were full-fledged states. Here the Germans must bear the brunt of the responsibility because they insisted on recognizing Croatia and Slovenia, which practically forced Bosnia and Macedonia to opt for independence, because otherwise they would have remained part of a mainly Serbian state that espoused ethnic principles.

Recognizing Bosnia and Macedonia and admitting them to the United Nations imposed certain obligations on the international community that, when the crunch came, they were unwilling to live up to. Here the blame shifts to the British. The United Kingdom held the presidency of the European Union when the full horror of ethnic cleansing was revealed on

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television—the Western governments had been aware of it for some time, but suppressed the information. The British government could not stand idly by; yet they were determined not to get militarily involved. The solution they devised was a particularly nefarious one: they proposed to send United Nations peacekeeping troops where there was no peace to keep. The British knew what they were doing and they remained consistent throughout; the United States and the French wavered between expediency and lofty principles.

The outcome was the most humiliating, debilitating experience in the history of Western democracies. The United Nations troops were given an impossible mandate. Their mission was to deliver humanitarian aid to the civilian population, and in order to do so they had to have the agreement and cooperation of all the warring parties. This required the United Nations troops to be neutral between the aggressors and the victims. Since the Serbian aggressors sought to achieve their goals by hurting civilians, the United Nations troops effectively became their tools. They acted like KAPOs in the concentration camps. Just as a small example, they prevented mail from the outside from reaching the civilian population of Sarajevo. This was an outrageous position to be in. Different commanders reacted differently. The French general Morillon went beyond the call of duty in defending the population of Gorazde. The British commander Sir Michael Rose tried to find fault with the Bosnians in order to justify taking a neutral stance. It was worse than Munich, because Munich was appeasement before the fact, Bosnia was appeasement after the fact.

After the humiliation of Munich, we were ready to fight for freedom and democracy and open society in World War II, and our concept of freedom was a universal one. Our goal was not merely to defend our country, but to spread those ideas throughout the world. We did a pretty good job with our erstwhile enemies, Germany and Japan. And we stood up to the communist threat pretty resolutely, but after the dissolution of the Evil Empire we seem to have lost our bearings.

What has changed?

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I believe our concept of freedom changed. It was replaced by a narrower concept—the pursuit of self-interest. It found expression in the rise of geopolitical realism in foreign policy and a belief in laissez-faire in economics. The doctrine of geopolitical realism holds that nations are best advised to pursue their self-interest as determined by their geopolitical position. Any commitment to universal moral principles is an encumbrance that may lead to defeat in the Darwinian fight for survival. According to this point of view, advocating the values of an open society might have been a wonderful propaganda tool for embarrassing the Soviet Union; but beware of believing your own propaganda. In economics, the doctrine of laissez faire holds that the freedom of market participants to pursue their self-interest leads to the most efficient allocation of resources. Again, in the Darwinian fight for survival, the most efficient economy will prevail.

I believe these doctrines are inadequate and misleading. They emphasize the importance of competing within the system, but pay no attention to the preservation of the system itself. They take an open society, in which people are free to compete, for granted. Yet, if there is any lesson to be learned from the dissolution of the Soviet Union, it is that open society cannot be taken for granted: The collapse of a closed society does not automatically lead to the creation of an open society. Freedom is not merely the absence of repression. Open society is not merely the absence of government interference; it is a sophisticated structure that rests on laws and institutions and requires certain modes of thinking and standards of behavior. The structure is so sophisticated that it is hardly visible and it is easily taken for granted. In a closed society, the role of the authorities is pervasive; as a society becomes more open, the authorities become less intrusive: that is why it is so easy to ignore the structure that supports an open society. But the experience of the last five years has shown how difficult it is to bring about an open society.

So you hold the Western powers responsible for the failure of the former Communist countries to evolve into open societies?

Yes, to a large extent. Admittedly, even if the West had done all the right things, it would have

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been a long and arduous process with many missteps. But at least the formerly communist world would be moving in the right direction. And even more importantly, the Western democracies would also have a sense of direction. Europe, in particular, needed Eastern Europe to give it spiritual, moral, and emotional content. Without it, Europe is floundering. The European Union is a jumble of complicated rules and bureaucratic maneuvering. The idea of a European union used to fire people's imagination. Young people, especially in Germany and France, but also in the other countries, felt good about overcoming their historical differences and belonging to the same political entity. They are becoming increasingly disaffected, as all the voting patterns show.

You spoke about the coming disintegration of Europe.

Yes, I gave a speech on the subject in Berlin in September of 1993. And everything that I said then seems to be coming true. Look at the changes that have occurred. On the one hand, a number of new countries have been admitted to the Union. On the other hand, the British government has become almost entirely obstructionist.

Germany is facing east and France is facing south, and it is only their dogged determination not to fall out with each other that keeps Europe together. Tensions within the monetary systems are rising again. It is only a matter of time before people will start advocating protection from undervalued currencies, bringing into question the very existence of the common market.

How about the United States?

We are suffering from an acute crisis of identity. We used to be a superpower and the leaders of the free world. The two terms were synonymous; we could use them interchangeably. But the collapse of the Soviet Union has changed all that. We can be one or the other, but we cannot be both. We lack the economic clout and the economic interest to maintain such a dominant position. We are no longer the main beneficiaries of the international trading and financial systems; we cannot afford to be the policemen of the world. In much of the nineteenth century, England held a pre-eminent position; it was the banking, trading, shipping and insurance center

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for the world. It had a colonial empire that spanned the globe. It could afford to maintain a fleet of gun boats to be dispatched to any trouble spot. The United States today has the military might, but it has neither the economic interest, nor the political will to become embroiled in far-away conflicts. It can remain a military superpower in order to protect its national interests, but it is questionable whether those interests justify such vast military expenditures. Other countries, like Japan, sheltering under the military umbrella of the United States, may derive greater benefit from our superpower status than we do. Even so, we cannot lay claim to being leaders of the free world, because our national interests do not justify military action in the many trouble spots of the world where intervention is sorely needed. We have withdrawn from Somalia; we had great difficulty in deciding to intervene in Haiti; and we refuse even to contemplate sending ground troops to Bosnia. The only way we could remain leaders of the free world would be in the context of the United Nations where we would act not on our own, but in cooperation with others. But the United Nations has become a dirty word in American politics. Animosity toward the United Nations is so strong, that we are more likely to kill it than to turn it into an effective force for maintaining peace and order in the world.

Don't you feel the animosity is justified?

Frankly, I share the popular sentiment. I see the United Nations as ineffective and wasteful. In my philanthropic work whenever I come up against any United Nations agencies, I give them a wide berth with one exception: the UNHCR (High Commissioner for Refugees). Since the intervention in Bosnia, my feelings have become even more negative. I regard the role of the United Nations as positively evil.

Isn't that going too far?

No, but I must make it clear that I don't blame the United Nations organization as such. The primary responsibility falls on the members of the Security Council, particularly on the permanent members that have veto rights, because the Security Council is merely an instrument

in their hand. It is they who decide what the United Nations can or cannot do. To narrow down the responsibility in the case of Bosnia even further, it fell on three Western permanent members: the United States, the United Kingdom, and France. If the three of them had agreed among themselves, they could have carried out whatever policy they wanted.

What could they have done?

They had NATO at their disposal. If they had wanted it, the Security Council could have entrusted NATO with peacemaking in Bosnia. The rest of the members would have gone along. Later on, Russia might have objected, but not in 1992. The Secretary General, Boutros Boutros-Ghali, wrote a letter to the Security Council imploring it not to impose on the United Nations troops an impossible mission. NATO had credibility. On the first occasion when it intervened, the Bosnian Serbs caved in. But the Western powers, each for their own reason, did not want NATO to take charge.

I thought it was Boutros Boutros-Ghali who objected.

That came later on. It was a matter of bureaucratic infighting: Who is in charge? If the Security Council had put NATO in charge, there would have been no problem. As it is, Bosnia has done more to destroy the United Nations than any other crisis. Secretary General Boutros Boutros-Ghali was fond of saying that Bosnia was just one of 17 equally important humanitarian crises. The point he missed is that Bosnia served as a catalyst for the disunity of the Western Alliance. And without Western unity, the United Nations cannot survive.

Why do you say that?

Because the Security Council, where the power to maintain law and order in the world resides, was designed to be effective when the Great Powers agree among themselves. As soon as it was born, the Great Powers fell out with each other and the United Nations could never function as it was designed. It became a public forum where implacable enemies could meet and revile

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each other and vie for support among the non-aligned nations. On the rare occasions when they reached an agreement, the United Nations could be entrusted with supervising it. This was the origin of the United Nations peacekeeping missions. Perhaps the only exception to this arrangement was the Korean War when the Soviet Union made the mistake of boycotting the meeting at a crucial moment.

Then came Gorbachev. He was a great believer in the United Nations. If you recall, he came to the United Nations and paid up the arrears of the Soviet Union. He gave a speech to the General Assembly in which he outlined his vision for the United Nations, which was a return to the original vision. It was the only part of his program that was properly elaborated, because the ministry of foreign affairs was the only part of the Soviet bureaucracy that genuinely supported reform. He envisioned a grand alliance between the NATO powers and the Soviet Union. The Soviet Union would have supported the Western powers politically, and the Western powers would have supported the Soviet Union economically, enabling it to make the transition to a market economy. This would have allowed the Security Council to function as it was originally designed, because the great powers would have cooperated. But we didn't take him seriously.

The Soviet Union disintegrated, and Russia started pretty much where the Soviet Union left off: it was only too eager to cooperate. The United Nations could have become an effective organization for the first time in its history. That is why it was so tragic that Bosnia occurred when it did and the Western allies misused the United Nations the way they did. They had at least five or six years to make the United Nations work, but they completely missed the boat. It is no exaggeration to say that Bosnia is playing the same role for the United Nations as Abyssinia did for the League of Nations in 1935.

So you are giving up hope for the United Nations?

On the contrary, it makes me more convinced that we ought to do everything we can to prevent the United Nations from following in the footsteps of the League of Nations.

But as you have said yourself, the United Nations is discredited. It is part of the Contract with America to reduce and circumscribe United States support for United Nations peacekeeping operations.

We are compounding the mistake we made when we ignored the opportunity presented by Gorbachev. The failure of the United Nations is *our* failure. It is easy to be critical of the United Nations as if it were an organization apart from, and independent of, us. But that is simply not true. The Security Council has been designed to function with the United States acting in concert with the other permanent members. As sole remaining superpower, we have been cast in the leadership role. If the United Nations fails, it is because we have decided that it should fail. We ought to do everything we can to save it.

Doesn't that contradict everything you have said before?

Not at all. We find ourselves in a contradictory situation. On the one hand, we need an international organization to preserve peace and order because we cannot and should not act as the world's policeman. On the other hand, the international organization we have got, the United Nations, is inadequate. Therefore, we must exert ourselves to make it work.

You yourself called the United Nations ineffective and wasteful. Why is that?

Very simple. It is an association of sovereign states. The members are guided by their national interests, not by the collective interest. And the organization is responsible not to one master, but to many. This compounds the defects of bureaucracies because the main objective of a bureaucracy is to survive. Having many masters engenders a can't-do, protect-your-behind attitude. By a process of natural selection, only those whose primary concern is to preserve their jobs will survive in their jobs. But the selection is not natural to start with. Member nations use their patronage power quite shamelessly. Employees enjoy almost complete job security. And that makes it almost impossible to get anything done.

What is the remedy?

That is not so simple. The root cause, namely national sovereignty, cannot be eliminated. If the executive is not responsible to the member nations, to whom is it responsible? We cannot allow a self-governing bureaucracy. In the case of the European Union, which suffers from very much the same defects as the United Nations, one could give a larger role to the European parliament. But in the case of the United Nations, it would be Utopian to contemplate a world parliament. Therefore, the only possibility is to try and get the member nations to put the collective interests above their national interest. But that sounds pretty Utopian, too.

There is no doubt major changes are needed. We cannot have an international organization run for the benefit of its employees. Many functions have become obsolete, but there is no mechanism to discontinue them. The best example is the Trusteeship Council that continues long after the last trusteeship territory has gained its independence. But you cannot expect governments to abdicate their self-interest. You must therefore mobilize public opinion to exert pressure on their governments. You need a thorough overhaul of the way the United Nations operates. But how can public opinion exert pressure, when many of the governments concerned are not at all democratic? And how can you mobilize public opinion? There have been countless studies about reforming the United Nations, but they have all fallen flat. You need some simple slogan like “Pro-Choice” or “Right to Life” or the “10 Points” or the “Contract with America.” I am looking for such a formula and I would suggest “Reinventing the United Nations”

The United Nations has reached its 50th Anniversary, and as a rule, organizations decay with the passage of time. It would be appropriate to go back to the drawing board and redesign the organization for the next 50 years. It is very difficult to implement changes piecemeal, because they require the consent of all the members. Therefore, the reforms ought to be introduced wholesale. The leading nations of the world ought to get together and propose a new structure and then invite the rest of the members to subscribe to the new Charter, just as they did with the original one. Actually, the Charter itself does not need many changes. What you need is a new start in the way the organization is structured, a sunset clause whereby the existing

arrangements expire, and a new start is made.

Do you consider this a realistic proposal?

It may not be realistic, but it is doable. It would have been even more doable five years ago.

Why didn't you propose your sunset clause five years ago?

Because I wouldn't have been taken seriously. In fact, I wouldn't have been heard. I was a nobody.

Are you advocating it now?

I haven't quite decided. I am afraid that the United States itself might not subscribe to the new Charter. I doubt whether the United States would enact its own constitution if it came up for a vote.

How do you see the role of NATO? Do you support its eastward expansion?

If there had been a grand alliance between the NATO powers and the Soviet Union, there would have been no problem in admitting the countries of Central Europe into NATO under the umbrella of that alliance. Even after the breakup of the Soviet Union, the same policy could have been pursued with Russia. But we lacked the vision. The "Partnership for Peace" was a watered-down version of that grand alliance, but it didn't work because we were unwilling to back it up with any significant economic assistance to Russia. Now it is too late. Relations between Russia and the West have deteriorated. What is much worse, Russia itself has deteriorated. It is no longer possible to pursue the eastward enlargement of NATO and remain friends with Russia. Russia objects to the enlargement of NATO. When Yeltsin visited Poland in the summer of 1993, he still agreed to Polish membership of NATO and it was only after his generals objected that he withdrew his approval. Since then, the Russian position has crystallized.

I think it would be wrong to appease an intransigent Russia. Poland, for one, ought to be

admitted to NATO. But we ought to make every effort to reassure Russia. This might take the form of some kind of treaty between NATO and Russia as the European members of NATO are proposing.

There is a much larger issue concerning NATO. What does it stand for? If a sunset clause is needed for the United Nations, that need is much greater for NATO.

What should NATO stand for?

The original idea of a defensive pact to protect the territorial integrity of the member countries remains valid in theory, but it would hardly justify maintaining NATO. Even if Russia became a nationalist dictatorship, it would take many years before it could rebuild a serious offensive capability. Indeed, one could argue that if it became a nationalist dictatorship, it would take much longer to rebuild that capability than as a market economy. Therefore, it is hard to imagine any real threat to the territory of the NATO countries in practice. By contrast, the situation outside the borders of the NATO countries is very unstable and the instability is likely to increase even further. What is at issue therefore, is the ability of NATO to project its power beyond its borders. That is where not only the political will, but even the political understanding is lacking.

I would propose that NATO should be turned into an instrument for protecting the values and principles of open society, not only within its borders, but also beyond them. This does not mean that NATO would get engaged whenever those principles are violated. It means only that NATO would be available whenever the member countries, acting in concert, call upon it. The values and principles of open society are universal. No member country acting individually can treat the protection of those values as a matter of national interest, but they should treat it as a matter of collective interest. That ought to be the new mission for NATO. If it had been properly formulated, NATO would have been available when the Bosnian crisis erupted, and if it had been available, it would have provided, in all likelihood, a strong enough deterrent to Serbian aggression. And the whole debacle could have been avoided.

Do you think the British would have acted differently?

Conceivably. One of the reasons the British were determined to avoid military involvement was that they were afraid they would be left holding the bag. The Americans said this was a European matter, and the Germans were precluded both by their constitution and their past history in Yugoslavia from intervening militarily. That left only the British and the French. Britain was tied up in Northern Ireland, and simply did not have the troops available even if it had wanted to use them. If NATO had been willing to take on the task, the United Kingdom could have participated up to the limits of its capacity.

But that would have required the United States to contribute ground troops.

Yes. And there is the rub. The United States espoused lofty principles, but was unwilling to commit ground troops. The United States must re-think its role in the world. If NATO's role had been properly defined and explained to the people, I believe American ground troops could and should have been available. I think NATO is much more suitable an organization for projecting American military power into the world on a collective basis than the United Nations for a number of reasons. First, it is created and led by the United States, although American leadership may have to be modified somewhat in the future. Second, it consists of like-minded democratic states, whereas the United Nations is a much more mixed bunch. Third, NATO is effective as a multinational force, while the United Nations simply lacks the command structure needed for a successful military operation. United Nations troops can be used for peacekeeping (Chapter VI in the United Nations Charter); but peacemaking (Chapter VII) is a job for NATO.

Listening to you, it seems to make sense. What are you going to do about it?

Talk about it. Mark Twain said that everybody talks about the weather but nobody does anything about it. If the theory of reflexivity is correct, talking about social or political objectives may be a way of doing something about them.

Ironically, while I have been thinking and talking about these matters, another issue has

arisen that is much closer to my field of expertise: The international financial system is in danger of breaking down. The crisis arose while I wasn't watching, but now that it has occurred I am giving it a lot of thought.

Do you see a real crisis looming?

Yes. It is similar to the crisis in the international political system in the sense that it doesn't affect us directly and therefore we are not conscious of it. It is affecting people in Latin America and in the other so-called emerging markets. As I have said before, the crash in emerging markets is the worst since 1929. As long as it is confined to them, the international financial system is not really in danger. But if and when it has a negative fallout in the industrial countries, you could have a breakdown not only in the financial system but also in the international trading system.

That sounds alarmist.

Deliberately so. As I have already mentioned, the Mexican crisis is bound to lead to a radical shift in the balance of trade between Mexico and the United States. If that coincides with a slowdown in the United States economy, there will be a political outcry that may lead to the election of a protectionist president in 1996. The similarity with the aftermath of the 1929 crash would be too close for comfort.

You are predicting a breakdown in free trade.

I am not predicting it, but I can envisage it. The danger is that people are not aware of the danger. Everybody talks about the global financial markets as if they were irreversible. But that is a misconception. It involves a false analogy with a technological innovation like the internal combustion engine. Once the automobile was invented, it spread like wildfire. It may be improved, it may even be superseded by a superior invention, but it cannot be abolished. Not so with a financial innovation. It differs from a technological invention in the same way that social science differs from natural science.

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We came close to having a global financial market based on the gold standard toward the end of the nineteenth century, but the system broke down and by the end of World War II when the Bretton Woods system was established, there were practically no private international capital movements. People don't remember it, but the Bretton Woods system was specifically designed to create institutions that would allow international trade to be financed in the absence of private capital movements. As capital movements picked up, the Bretton Woods system of fixed exchange rates broke down. The international financial institutions created in Bretton Woods—the IMF and the World Bank—have successfully adapted themselves to the changing circumstances and they continue to play an important role. But they are inadequate to the task of maintaining stability in the system. Their resources are dwarfed by the magnitude of private capital movements and they have no regulatory powers. There is some cooperation among governments—the Bank for International Settlement in Basel has been the main instrument for international cooperation—but it is quite limited in scope. The trouble is that the need for greater international cooperation is not generally recognized. The prevailing wisdom about the way financial markets operate is false, and a global market based on false premises is unlikely to survive indefinitely. The collapse of the global marketplace would be a traumatic event with unimaginable consequences. Yet I find it easier to imagine than the continuation of the present regime.

That is quite a dramatic statement. Can you be more specific? Why and how would the international financial markets collapse?

They are quite close to collapsing right now. Take Mexico. The bulk of the Mexican voters did not derive much benefit from Mexico's transition from a third world to a first world country, but they must now bear the brunt of the adjustment. It is touch and go whether the present regime will survive. Whether it does or not, the risks of international investing have been brought home. Even if the crisis abates, the risk premium for other heavily indebted countries will not disappear. It is questionable whether they will be able to live with those high risk premiums. If they cannot

refinance their debt they will be facing defaults. It is a self-reinforcing process.

Is there no escape?

There could be individual rescue packages. I have an even better idea. We ought to establish a new international institution to facilitate the financial reorganization of heavily indebted countries. Countries beyond redemption would be allowed to enter into a debt reduction scheme; others would be merely assisted to refinance their debt. The assistance would take the form of a guarantee for newly issued bonds. The international agency, providing the guarantee, would, of course, insist on suitable adjustment policies. It could be financed by a new issue of Special Drawing Rights that would not even be drawn upon if the operation is successful. Having such an institution would prevent market excesses in the future because investors would refrain from lending to heavily indebted countries without a guarantee. It would be an appropriate addition to the existing institutions in response to the growth in international lending that has become unsustainable.

At the risk of becoming too abstract, I should like to make a more general point. We have gone a long way toward opening up the globe to free movement of goods and services and, even more importantly, ideas. The international flow of capital has become largely unrestrained. Even people can move more freely. But the establishment of this global system has not been matched by an acceptance of the principles of open society. On the contrary, international relations continue to be based on the principle of national sovereignty and the internal political regimes of many nations fall well short of the standards of an open society. In the economic sphere, there is practically no recognition that financial markets, particularly the international financial markets, are inherently unstable.

Markets are, by definition, competitive. But unrestrained competition without regard to the common good can endanger the market mechanism. This idea runs counter to the prevailing idea that competition is the common good. Even if the need to preserve the system is recognized, it takes second place to getting ahead within the system. Look at the rhetoric of the last few

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years: it is all about competitiveness, very little about free trade. With this attitude, I cannot see the global system surviving. Political instability and financial instability are going to feed off each other in a self-reinforcing fashion. In my opinion, we have entered a period of global disintegration only we are not yet aware of it.

It is strange to hear you inveigh against competitive behavior when you are recognized as one of the most competitive people in financial markets.

I am in favor of competing, but I am also in favor of preserving the system that permits competition. Where I am at odds with the latter-day apostles of laissez faire is that I don't believe markets are perfect. In my opinion, they are just as likely to lead to unsustainable excesses as to equilibrium. But my disagreement goes even deeper: I don't believe competition leads to the best allocation of resources. I don't consider the survival of the fittest the most desirable outcome. I believe we must strive for certain fundamental values, such as social justice, which cannot be attained by unrestrained competition. It is exactly because I have been successful in the marketplace that I can afford to advocate these values. I am the classic limousine liberal. I believe that it behooves those who have benefited from the system that they should exert themselves to make the system better. I should like to draw your attention to the fact that it wasn't until I made \$20 or \$30 million that I set up my first foundation.

So your motivation is to give back something to the system that made you rich.

Not really. Being rich enabled me to do something I really cared about. I never allowed the availability of money to guide me in my philanthropy. I started with \$3 million a year, but it took me more than five years until the expenditures reached \$3 million a year. There was only a short moment, around 1992, when I had more money to give away than I knew what to do with. Now the shoe is on the other foot. I have an enormous network and I must hustle to keep it going.

You have started some activities in the United States.

Yes. It has always been part of my program to help make open societies more viable, but I got so wrapped up in the revolution in Eastern Europe that I didn't have any time to do anything about it. Around 1992, when the revolution began to cool off, and I still had some unspent money, I started to look around.

What are the problems you see in open societies?

The deficiency of values. It has always been part of my framework of open and closed societies that open societies suffer from a deficiency of values. All that I have seen in the last five years confirms me in that view.

I am aware of grants you have made for the legalization of drugs and the study of the American way of death.

No, it is not legalization of drugs I am supporting, but the development of different approaches to the drug problem. And the same applies to the problem of dying. These are problems where misconceptions and the lack of understanding play a tremendously important role, where well-intended actions have unintended consequences. The remedy is often worse than the disease. That is the insight that has made me focus on these issues.

By remedy you mean that trying to handle the drug problem through law enforcement is worse than the drug problem itself?

That is right. I think that to treat the drug problem as primarily a criminal problem is a misconception.

You think it's a medical problem?

I think that there's a problem of addiction. And of course if you create laws that make drugs illegal, you also have a criminal problem.

It's also a social problem. And to eradicate the social problem would require more money than even you have.

I think that the whole idea of eradicating the drug problem is a false idea. Just as you can't eradicate poverty or death or illness, you can't eradicate addiction. You have addictive personalities and you have situations in which people seek an escape from reality. A drugfree America is simply not possible. You can discourage the use of drugs, you can forbid the use of drugs, you can treat people who are addicted to drugs, but you cannot eradicate drugs. Once you accept this point, you may be able to develop a more rational approach to the problem. The trouble is, it is very difficult to have a rational debate. The issue has become too emotional.

What is your solution?

Let's stick to the problem before we speak of a solution. There is no doubt that drugs are harmful, although there are differences among different drugs. Some are only harmful to the users; others like crack or certain hallucinogens can be dangerous to others; although driving or doing other responsible jobs is dangerous under the influence of most drugs. Some drugs are addictive; others like marijuana are not. Marijuana is relatively harmless, but all you need to do is look at some potheads to realize that they have been impaired. But then, the same is true of alcoholics. All drugs and addictive substances should be discouraged. Preventing children from using drugs, alcohol, and even cigarettes is highly desirable. But does it justify turning drug use into a criminal act? The evidence indicates that it has the opposite effect. It creates drug pushers. And it creates a myth around drugs that tends to attract young people rather than repel them, especially when the myth is so far removed from reality. But the unintended consequences go much further. The criminalization of drugs creates criminals. It creates drug dealers and drug users who commit crimes in order to get their fix. The crimes frighten the citizens and politicians exploit the fears of the voters to get elected. This leads to the war on drugs. It is very difficult to oppose the war on drugs if you are a politician who wants to get elected. The war on drugs creates a law enforcement apparatus that has a vested interest in perpetuating the law

enforcement approach. That is how we end up with a remedy that is worse than the disease.

Are you advocating the legalization of drugs?

I am agnostic on this issue. I haven't made up my mind, and in a way I don't really want to make up my mind. I am willing to discuss the issues in private, but I am not prepared to take a public stance because, while I can see what's wrong, I don't see clearly what's right. I can see that the present approach is clearly wrong and is doing more harm than good, but I haven't got any firm views on what would be the right approach. I can see a number of approaches that would certainly be preferable to the present one, like focusing on treatment rather than law enforcement. I could envisage legalization as an effective way to reduce the harm that drugs cause because I'm sure that if you legalize drugs, maybe not all of them, but some of the less harmful or less addictive ones, you could reduce criminality, say, by 80 percent. And the savings this would produce could be used for treatment. But I think that public opinion is so aroused on this issue that a campaign for legalization that goes directly against the prevailing consensus would be counterproductive. That is why I support several initiatives, some of which are adamantly opposed to legalization and others that are more sympathetic and I don't want to have a prescription of my own.

Still, if you were asked, what would you say?

You remind me of an old Hungarian joke from before the 1956 revolution when the communist party was trying to encourage party members to express their opinions more freely. After every meeting, the party secretary asked the members for their own opinions. One member always answered, "I entirely agree with the comrade secretary's opinion." Eventually the secretary said, "Surely you have a private opinion!" He answered, "Yes, but I don't agree with that at all."

On that basis, I'll tell you what I would do if it were up to me. I would establish a strictly controlled distribution network through which I would make most drugs, excluding the most dangerous ones like crack, legally available. Initially, I would keep prices low enough to destroy

the drug trade. Once that objective was attained I would keep raising the prices, very much like the excise duty on cigarettes, but I would make an exception for registered addicts in order to discourage crime. I would use a portion of the income for prevention and treatment. And I would foster social opprobrium of drug use.

Let's talk about the Project on Death for a moment. What are your objectives in supporting that project?

Well, here I am applying much the same line of thinking. There's a widespread denial of death in America. It's effectively, not outlawed, but outcast. I know from my own experience that when my father died, I denied it. I refused to face the fact that he was dying. I think that it was a tragic mistake on my part. I think that our whole society is somehow operating in a state of denial and distortion. We have been told all about sex, but very little about dying. Yet dying is even more widespread than sex. It cannot be avoided, but we ought to come to terms with it.

What specific activities are you supporting?

Well, I have found a group of experts, people who have devoted their lives to confronting the issue of dying. I leave it to them to decide what the project ought to do. I have no program, no specific agenda as far as dying is concerned. They do.

Are you trying to enable Americans to be more comfortable with dealing with death in their own family?

Yes. I think if there is any unifying thread, it is to encourage family involvement and to reduce the dehumanizing effect of medical treatment. I believe we should encourage people to die at home with the involvement of the family. I would like people to come to terms with the idea of dying, so it is not such a horrifying experience for the person or the family. In practice, most people die in hospitals. Therefore much of the effort in the project goes to the education of medical personnel.

Would one of the possible results of the Project on Death be that less effort is made to sustain life after it becomes medically futile?

Yes. I think that is very much part of it. The use of technology to extend life when life has no meaning doesn't make sense. It may be more negative than positive because it causes unnecessary pain and suffering, not to mention the expense. Acceptance of death would certainly reduce the effort to extend life at all cost.

How about euthanasia?

The experts are deeply divided and the Project on Death takes no position. I personally think that is a pity, but they may be right: there is a lot of work to be done on the culture of dying without getting embroiled in its most controversial and sensational aspect.

Let's come back to your concept of social justice. How do you feel about the Contract with America?

Well, I understand the feeling of resentment that motivates it and I have some sympathy with it. The welfare system is full of abuses and it has been "business as usual" for too long. It is time for a change. But I am afraid that in this case, too, the remedy is going to be worse than the disease. We are engaged in a swing of the pendulum away from the welfare state. It has considerable force and it is likely to carry quite far. But don't forget, every human construct is flawed. That is true of the welfare state, just as it is true of whatever exchange rate system is in force. The longer a system prevails, the more glaring its deficiencies become. Everyone is aware of the shortcomings of the welfare system. But let me point out a contradiction in the Gingrich program. The aim is to reduce the role of government, but imposing conditions on welfare increases the discretionary power of the bureaucracy, opens the way to abuses and inequities, and increases administrative costs. Replacing federal welfare benefits with block grants to states creates an inducement for states to mistreat their welfare recipients and make them move to other states that treat them better. The poor and infirm are going to get kicked around, literally. We are

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declaring war on poverty, and it is going to be just as successful as the war on drugs. I hope that when people discover this, the pendulum is going to swing the other way. As I have said before, all human constructs are flawed, but it is rare that when a new vision is offered the flaws are so clearly visible in advance.

You are in a very peculiar position. You're not like someone working for the government or a politician responsible to his electorate. You're accountable to no one. As you use your own money, you can implement any ideas or any programs you want. There are no The Future of the United States and Open Society controls or checks and balances on any of your activities. Do you have too much power?

What a question! We all want to make an impact on the world in which we live. Beyond a certain point, the acquisition of wealth does not make sense, unless you know what you want to use it for. I want to use it for the social good. In deciding what the social good is, I have to rely on my own judgment. I think the world would be a better place if we all relied on our own judgments, even if we differ among ourselves in our judgments.

There is a new type of public figure emerging on the political scene—Ross Perot in the United States, Berlusconi in Italy—the self-made billionaire with a political agenda. Do you belong to this breed?

There was also a breed of businessmen who did their business by engaging in philanthropic activities in communist countries: Armand Hammer, Robert Maxwell. All I can say is, I hope I am different.

Can you sum up your views on the international political situation?

I can try. I don't have the answers, but my theoretical framework allows me at least to ask the right questions and it provides me with some snippets of insight.

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1. We are entering into a period of world disorder and the sooner we realize it the better our chances of preventing the disorder from getting out of hand.
2. The theoretical concepts of open and closed society are particularly useful in understanding the present situation.
3. Communist dogma has lost its sway over people's minds and it is almost inconceivable that it should regain it. On the contrary, the pendulum is swinging the other way, toward laissez-faire.
4. There is a real danger of nationalist dictatorships arising in formerly communist countries.
5. To mobilize society behind the state, you need an enemy. The rise of nationalism is likely to be associated with armed conflicts.
6. Nationalist dogma may intermingle with religious dogma and the trend is likely to spread beyond the confines of the former communist world. You may find Russia or Serbia defending Christianity against Islamic fundamentalism and vice versa.
7. Democracies suffer from a deficiency of values. They are notoriously unwilling to take any pain when their vital self-interests are not directly threatened. Therefore, they are unlikely to prevent the spread of nationalist dictatorships and conflicts.

The present situation has more in common with the interwar period than with the Cold War. There are some notable differences. One is the absence of a Hitler—you only have Mussolini-like figures, such as Tudjman in Croatia and Milosevic in Yugoslavia, but the most important country, Russia, is still up for grabs. Another difference is the European Union, but it has no common foreign policy and it is in disarray. For the rest, the United Nations is increasingly reminiscent of the League of Nations and Bosnia plays a similar role to Abyssinia. But the United States reducing its contribution to peacekeeping operations is not the same as withdrawing altogether.

History does not quite repeat itself, but the patterns that emerge or the regimes that prevail do exhibit certain similarities. I find the pattern that is currently emerging very disturbing. The

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interwar period led to the Holocaust and the most destructive war in the history of mankind. I do not expect a replay: there is no Hitler on the horizon. Even if a Hitler-like figure came to power in Russia, it would be a long time before Russia could pose a military threat similar to the Soviet Union or Nazi Germany. But the technological capacity to wreak havoc has greatly increased. Russia does have atomic weapons; so will Iran and a number of other countries. Something should be done to change the emerging pattern.